

Registered Number 0078950

AXA INSURANCE UK PLC
Directors' Report and Financial Statements
for the year ended 31 December 2008



Registered Office: 5 Old Broad Street, London EC2N 1AD

AXA INSURANCE UK PLC

DIRECTORS

N. J-M. D. Moreau (Chairman)

J. P. D. L. Drouffe

K. G. Gibbs

P. L. H. Maso y Guell Rivet

F. de Méneval

J. O'Neill

I. Robinson

SECRETARY

J. P. Small

AUDITORS

PricewaterhouseCoopers LLP

AXA INSURANCE UK PLC

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The Company's principal and ongoing activity is the writing of general insurance business in the United Kingdom. The business conducted is principally property and motor in both commercial and personal lines, together with liability insurance (commercial) and travel and creditor insurance (personal).

BUSINESS REVIEW

Results and performance

Profit before tax decreased by £89.2m to a loss of £35.9m in 2008 arising from an improvement of £76.8m in the underwriting result offset by an adverse movement of £166.0m in the investment result.

During the year, gross written premiums decreased by £32.9m or 1.6% to £2,041.9m (2007: £2,074.8m). This was driven by:

- A fall in overall Casualty business, new and retention, which is being heavily impacted by difficult trading conditions in an increasingly competitive market.
- Travel, Warranty and Commercial Lines Property business all showed a small downturn following a contraction in the market.
- Creditor business has shown another fall, the lower activity levels being a result of both contraction in the market and reduced marketing.
- We can however see significant growth in Household business reflecting new products, training and marketing initiatives and the launch of direct internet products.
- Personal Lines Motor business also grew, the increase in the sale of direct internet based products outweighing the fall in business from third party Intermediaries as a result of increased prices.

The underwriting loss before tax for the year is £37.8m (2007: £114.6m loss).

- The improvement over prior year reflects the lack of storms in 2008 compared to the severe weather conditions in 2007 which drove the prior year underwriting loss.
- Current year underlying loss ratios have improved due primarily to the absence of severe weather conditions and the run off of poor performing schemes.
- Commission rates have fallen due primarily to renegotiation of commission rates on delegated authority accounts
- The improvement in the combined operating ratio reflects the above positive factors, but has also been impacted by expenses increasing faster than volumes due to inflation and one off project costs.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Results and performance (continued)

The total investment return for the year is a loss of £149.7m (2007: profit £88.7m). The decrease in the total investment return is due primarily to the general decrease in the financial markets, which has resulted in an increased impairment charge and a reduction in the realisation of equity gains.

The procedures put in place by the Company identified all significant exposures to risk arising out of the current financial market conditions (credit crunch). The valuation of financial instruments, where the market liquidity was negatively affected or where no active market exists, was considered specifically, and all credit events that have occurred prior to 31 December 2008 have been considered.

Business environment

The UK insurance market is highly competitive and we have endeavoured to maintain strong positions in our selected markets through developing a far greater customer understanding and focus. We have increased our use of e-enabled systems which allow brokers to interact directly with our systems and improve the overall broker experience. We continue to look at ways of improving claims management within an overall risk management approach.

Strategy

The Company has in place a variety of methodologies to monitor and manage the risks it accepts and to plan for increasing its involvement in its chosen markets. A number of initiatives are in place to deliver profitable growth in these markets and distribution channels. We continue to pursue the Group's 2012 Ambition target of becoming the 'preferred company' for customers and employees, however the Company is in the process of reviewing the original financial targets of doubling revenues and tripling earnings by 2012, which were defined in 2004 on the basis of growing equity markets which are no longer realistic.

We have made solid progress towards our targets in 2008 with investment into customer focused programmes for employees, improving IT stability and our new advertising campaign.

Principal risks and uncertainties

The Company is part of the AXA UK plc group which has established groupwide processes for risk acceptance and risk management which are addressed through a framework of policies, procedures and internal controls. All policies are subject to ongoing review by management, risk management and group internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance and finance teams take on an important oversight role in this regard.

AXA INSURANCE UK PLC

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW (CONTINUED)

Principal risks and uncertainties (continued)

Financial risk management, including the impact of risk on economic capital, is discussed in note 2.

The principal risks from the general insurance business arise mainly from events outside of our control, such as fluctuations in the timing, frequency and severity of claims compared to our expectations. Underwriting and reinsurance strategies may also give rise to risk and uncertainty through inaccurate pricing, inadequate reinsurance protection and inadequate reserving. These are within our control and strategies are communicated clearly throughout the business via policy statements and guidelines.

Future outlook

The Company has a clear strategic business model focusing on traditional insurance and has maintained a strong balance sheet despite the current conditions. Careful financial risk management strategies, along with well established liquidity management practices, will ensure this is maintained in the future.

In 2009 we aim to remain competitive by reducing costs and improving efficiency through a number of initiatives. At the same time we will continue to invest for the long term to support our vision of being Trusted Market Leader; this will ensure we are building a strong foundation for our future.

To support both of these priorities we will continue to develop a culture of personal ownership ensuring that we are focused on the needs of our business and we continue to deliver trust for our customers.

Key performance indicators

The Company is the principal UK underwriter for AXA Insurance plc, its parent company. The board monitors the progress of the Company and its subsidiaries together using a variety of KPIs therefore it is not considered meaningful to provide company specific KPIs except as noted below.

	<u>2008</u>	<u>2007</u>	
Gross written premiums	£2,041.9m	£2,074.8m	
Underwriting result	£(37.8)m	£(114.6)m	
Current year loss ratio	63.7%	71.2%	Ratio of net current year claims incurred to net earned premiums
Combined operating ratio	102.1%	106.2%	Ratio of net claims incurred, commissions and expenses to net earned premiums
(Loss)/profit before tax	£(35.9)m	£53.3m	

AXA INSURANCE UK PLC
DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: nil).

DIRECTORS

The directors of the Company at the date of this report are shown on page 1.

Mr I. Robinson was appointed as a director of the Company on 1 January 2008.

Mr. P. J. Hubbard resigned as a director of the Company on 11 April 2008.

Mr. M. Cliff resigned as a director of the Company on 14 April 2008.

Mr. J. P. D. L. Drouffe was appointed as a director of the Company on 24 July 2008.

Mr. I. H. Johnson resigned as a director of the Company on 29 July 2008.

Mr. G. Stouls resigned as a director of the Company on 6 August 2008.

INDEMNIFICATION OF DIRECTORS

The Company is party to a groupwide indemnity policy which benefits all of its current directors and is a Qualifying Third Party Indemnity Provision for the purpose of the Companies Act 2006.

PAYMENT OF CREDITORS

All trade purchases are dealt with through AXA Services Limited, a fellow subsidiary undertaking. Insurance creditors are settled in accordance with agreed terms.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Information on the use of financial instruments by the group and its management of financial risk is disclosed in note 2 to the financial statements. In particular, the Company's exposures to market risk, credit risk and liquidity risk are separately disclosed in that note.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each director in office at the date of approval of this report confirms that:

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and 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 those financial statements, the directors are required to:

AXA INSURANCE UK PLC

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS (CONTINUED)

- 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm they have complied with the above requirements in preparing the financial statements.

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.

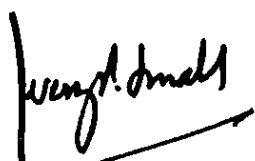
AUDITORS

A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office, and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

EXERCISE OF DIRECTORS' AXA SA OPTIONS

1 director of the Company exercised share options during the year (2007: 5).

By Order of the Board



J. P. Small
Secretary
27 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AXA INSURANCE UK PLC

We have audited the financial statements of AXA Insurance UK plc for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AXA INSURANCE UK PLC (CONTINUED)

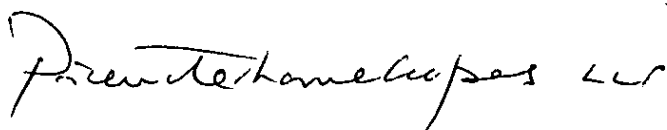
Equalisation provisions

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions, the amounts set aside at 31 December 2008, and the effect of the movement in those provisions during the year on the equity shareholders' funds, the balance on the general business technical account and profit before tax, are disclosed in accounting policy note 1.2 (h) and note 25 respectively.

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 loss 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

27 March 2009

AXA INSURANCE UK PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

General business technical account

	Note	2008 £m	2007 £m
Gross written premiums	3.2	2,041.9	2,074.8
Outward reinsurance premiums		(103.8)	(100.5)
Net written premiums		1,938.1	1,974.3
Change in provision for unearned premiums			
- gross amount		(6.5)	(92.6)
- reinsurers' share		(1.2)	(0.5)
		(7.7)	(93.1)
Earned premiums, net of reinsurance		1,930.4	1,881.2
Other technical income, net of reinsurance		24.2	17.7
Total technical income		1,954.6	1,898.9
Claims paid			
- gross amount		(1,343.8)	(1,187.8)
- reinsurers' share		33.3	22.8
		(1,310.5)	(1,165.0)
Change in outstanding claims provision			
- gross amount		245.5	(14.5)
- reinsurers' share		(50.2)	(23.4)
		195.3	(37.9)
Claims incurred, net of reinsurance		(1,115.2)	(1,202.9)
Net operating expenses	3.3	(856.8)	(795.9)
Change in the equalisation provision	25	(20.4)	(14.7)
Total technical charges		(1,992.4)	(2,013.5)
Balance on the general business technical account		(37.8)	(114.6)

Discontinued activities are not material to the Company.

AXA INSURANCE UK PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

Non-technical account

	Note	2008 £m	2007 £m
Balance on the general business technical account		(37.8)	(114.6)
Investment income	5.1	152.4	217.5
Investment expenses and charges	5.2	(114.2)	(42.0)
Unrealised losses on investment property valuations		(31.0)	(12.6)
Unrealised losses on derivatives		(6.1)	-
Foreign exchange gains		0.8	5.0
		<u>1.9</u>	<u>167.9</u>
(Loss)/profit on ordinary activities before tax		(35.9)	53.3
Tax on (loss)/profit on ordinary activities	10.1	19.8	(24.1)
(Loss)/profit for the financial year	22, 23	<u>(16.1)</u>	<u>29.2</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2008

	Note	2008 £m	2007 £m
(Loss)/profit for the financial year		(16.1)	29.2
Change in current value of subsidiary undertakings	13.1	(6.3)	56.5
Revaluation of available for sale financial assets		(149.5)	(78.3)
Tax on other recognised gains and losses	10.1	41.6	23.5
Unrealised losses on group occupied property valuations		(2.1)	(0.9)
Total gains and losses recognised since last annual report	23	<u>(132.4)</u>	<u>30.0</u>

Discontinued activities are not material to the Company.

AXA INSURANCE UK PLC

BALANCE SHEET

as at 31 December 2008

	Note	2008 £m	Restated 2007 £m
ASSETS			
Intangible assets			
Other intangibles	11	<u>28.1</u>	<u>46.4</u>
Investments			
Land and buildings	12	98.5	105.1
Investment in group undertakings	13.1	778.1	784.4
Other financial investments	14	2,491.3	2,640.3
Deposits with ceding undertakings		<u>35.1</u>	<u>13.4</u>
		<u>3,403.0</u>	<u>3,543.2</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums		15.8	17.0
Claims outstanding		<u>51.7</u>	<u>101.7</u>
		<u>67.5</u>	<u>118.7</u>
Debtors			
Direct insurance operations	15	601.7	661.3
Reinsurance operations	16	14.4	19.4
Tax recoverable		3.6	-
Deferred tax	17	212.5	162.2
Other debtors	18	<u>241.1</u>	<u>509.6</u>
		<u>1,073.3</u>	<u>1,352.5</u>
Other assets			
Tangible fixed assets	19	24.6	35.7
Cash at bank and in hand	20	<u>34.6</u>	<u>13.1</u>
		<u>59.2</u>	<u>48.8</u>
Prepayments and accrued income			
Accrued interest		36.6	41.6
Deferred acquisition costs		313.6	292.0
Other prepayments and accrued income		<u>1.0</u>	<u>1.3</u>
		<u>351.2</u>	<u>334.9</u>
Total assets		<u>4,982.3</u>	<u>5,444.5</u>

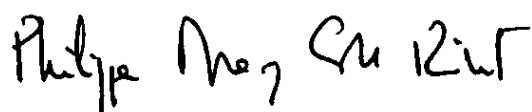
AXA INSURANCE UK PLC

BALANCE SHEET

as at 31 December 2008

	Note	2008 £m	2007 £m
LIABILITIES			
Capital and reserves			
Called-up share capital	21,22	122.3	122.3
Share premium account	22	798.7	798.7
Revaluation reserve	22	(118.8)	(2.5)
Capital contributions	22	228.7	228.7
Profit and loss account	22	192.6	208.7
Equity shareholders' funds	22,23	<u>1,223.5</u>	<u>1,355.9</u>
Subordinated liabilities	24	<u>80.0</u>	<u>80.0</u>
Technical provisions			
Provision for unearned premiums		952.8	946.3
Claims outstanding		2,032.1	2,270.9
Equalisation provision	25	<u>146.3</u>	<u>125.9</u>
		<u>3,131.2</u>	<u>3,343.1</u>
Provisions for other risks	26	<u>28.6</u>	<u>40.7</u>
Creditors			
Direct insurance operations		185.9	221.8
Reinsurance operations	16	10.6	16.5
Amounts owed to credit institutions	27	9.5	15.9
Other creditors including taxation and social security	28	<u>308.9</u>	<u>365.8</u>
		<u>514.9</u>	<u>620.0</u>
Accruals and deferred income		4.1	4.8
Total liabilities		<u><u>4,982.3</u></u>	<u><u>5,444.5</u></u>

The financial statements on pages 9 to 42 were approved by the Board on 27 March 2009 and were signed on its behalf by:



P. L. H. Maso y Guell Rivet
Director

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are set out below.

1.1 Basis of preparation and changes in accounting policy

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006).

The financial statements have been prepared in accordance with applicable UK accounting standards. A summary of the most important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on adoption of new accounting standards in the year.

The Company has adopted the amendments to Financial Reporting Standard ("FRS") 17 (Retirement Benefits). However due to the Company adopting the concessions under FRS 17 (see note 1.10) the adoption has had no impact on the financial statements.

The Company has adopted the amendments to FRS 26 (Financial Instruments: Recognition and Measurement) and FRS 29 (Financial Instruments: Disclosure) but their adoption has had no impact on the financial statements.

The Company is a wholly-owned subsidiary undertaking and its immediate parent undertaking is established under UK law and, therefore, in accordance with section 228 of the Companies Act 1985, it has not prepared consolidated financial statements for the year ended 31 December 2008.

1.2 General business

The results are determined on an annual basis whereby the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(a) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis or having regard to the incidence of risk.

(b) Other technical income

Other technical income relates to interest on instalment premiums on insurance contracts, insurance business administration fees and commissions in respect of insurances offered by the Company in support of its own business but written elsewhere.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**1.2 General business (continued)***(c) Claims incurred*

Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(d) Claims provisions and related reinsurance recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims IBNR to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and for IBNR claims a deduction is made for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.2 General business (continued)

(d) Claims provisions and related reinsurance recoveries (continued)

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of such claims, the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Property, aviation and accident business

Property, aviation and accident business is “short tail”, that is there is not generally a significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications. Adjustments are made to allow for movements in the variables described above.

Motor business

Motor claims are made up of short tail property damage claims and longer tail personal injury claims. For the former type of claim, the total costs of claims incurred and/or paid by the Company at the balance sheet date is used to project the ultimate expected total cost of claims incurred. This is done by reference to statistics that show how the total cost of claims incurred or paid in previous years has developed over time. In all cases adjustments are made to allow for movements in the variables described above.

The personal injury element of motor claims costs is estimated using the same methods as used for liability claims described below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**1.2 General business (continued)***(d) Claims provisions and related reinsurance recoveries (continued)***Liability and marine claims**

These claims are longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for the Company's liability and marine business are derived using one or more of the following methods:

1. A combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio, based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.
2. Using the costs of claims notified to the Company at the balance sheet date which are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications. Adjustments are made to allow for movements in the variables described above.
3. By splitting the total case by case cost of notified claims into three band sizes (attritional, large and very large). The ultimate expected cost of claims in each band is then estimated by reference to the projected number of claims (based on statistics showing how the number of notified claims has been developed over time) and the anticipated average final cost of notified and IBNR claims (based on historical levels adjusted to allow for movements in the variables described above).

The liability class of business is also exposed to the potential emergence of new types of latent claims but no allowance is included until evidence of the existence of such claims is received by the Company.

Disease-related and pollution claims

The claims provisions include amounts in respect of potential claims relating to diseases including those associated with exposure to asbestos and environmental pollution. Legislative and judicial actions to date have failed to determine the basis of liability to indemnify losses. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will ultimately be settled. The level of the provision has been set on the basis of the information that is currently available including potential outstanding loss advices, experience of development of similar claims and case law.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.2 General business (continued)

(d) *Claims provisions and related reinsurance recoveries (continued)*

Disease-related and pollution claims (continued)

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. In particular, the extent of the cost of claims for asbestos related diseases may change as more information becomes publicly available and claims reserves are updated accordingly. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Reinsurance recoveries

Reinsurance recoveries in respect of estimated IBNR claims are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

(e) *Salvage and subrogation*

Salvage and subrogation is held as an asset in the balance sheet and is shown in other debtors.

(f) *Deferred acquisition expenses*

Commission and other acquisition expenses relating to unearned premiums are deferred and charged in the accounting periods in which those premiums are earned.

(g) *Unexpired risks*

Provision is made for unexpired risks when, after taking account of investment income on insurance funds, it is anticipated that unearned premiums will be insufficient to meet the future claims and expenses of business in force at the end of the year. Classes of business which the directors consider are managed together are aggregated for this purpose. Where required the unexpired risks provision is included within 'Other technical provisions'.

(h) *Claims equalisation provision*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.2 General business (continued)

(i) Investment return

As permitted by the ABI SORP, no allocation of investment return is made to the technical account. All investment returns earned during the year have been included in the non-technical account.

1.3 Other intangible assets

Advance commission payments in respect of future business are deferred and capitalised at cost in other intangible assets. Costs are amortised on either a straight line basis or following an earnings pattern over varying periods over which the Company is expected to benefit. Carrying values of intangible assets are regularly reviewed for indications of impairment.

1.4 Investments

(a) Land and buildings

Land and buildings are valued at open market valuation. Full valuations are made by external, professionally qualified valuers every year in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors. The aggregate surplus or deficit on revaluation of group occupied properties is recognised in the statement of total recognised gains and losses and is taken to the revaluation reserve. The aggregate surplus or deficit on revaluation of investment properties is taken to the non-technical account.

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties and leasehold properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties. This requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation is only one of the factors reflected in the annual valuations, and the amounts which might otherwise have been shown cannot reasonably be separately identified or quantified.

As required by the Companies Act, properties occupied by the group are included as investments. These properties are not depreciated as the directors consider that any depreciation would not be material.

(b) Investments in group undertakings and participating interests

In the balance sheet, investments in group undertakings and participating interests are stated at net asset value as an approximation to current value. Movements in current value are recognised in the statement of total recognised gains and losses and are taken to the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**1.4 Investments (continued)***(c) Other financial investments*

The Company classifies all its shares, other variable yield securities, units in unit trusts, debt securities and other fixed interest securities as available for sale financial assets. The classification of investments is determined at initial recognition and is re-evaluated at every reporting date.

Available for sale financial assets are non-derivative financial assets which are designated as available for sale or which are not designated as fair value through profit and loss, held to maturity or loans and receivables. They are initially stated at cost including transaction costs directly attributable to their acquisition. On subsequent measurement, assets are stated at fair value with movements recognised in the statement of total recognised gains and losses and taken to the revaluation reserve.

The fair values of listed and unlisted investments for which a market exists are based on current bid prices on the balance sheet date or the last trading day before that date. Where no active market exists, fair values are established by the use of generally accepted valuation techniques, broker or dealer quotations, or market values of another instrument that is substantially the same. If prices are not readily available, the fair value is based on appropriate valuation techniques, supported by observable market data, where available.

Mortgages and loans are valued at redemption values less provisions.

On disposal or impairment, fair value adjustments accumulated in the revaluation reserve are transferred to the non-technical account.

(d) Investment income

Investment income consists of interest, dividends, rent and realised gains. Income from listed equities is recognised when the investments are quoted ex-dividend. Income from government and other fixed interest securities, loans and deposits is recognised on an accruals basis. Other investment income is recognised when due to be received.

Realised investment gains and losses are calculated by reference to the net sales proceeds and the original purchase cost. For presentational purposes, as required by the ABI SORP, net realised gains are included in investment income and net realised losses in investment expenses and charges.

Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

1.5 Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that the value of an available for sale financial asset has been impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset which have an impact on the estimated future cash flows of the financial assets. In the case of equity instruments, this includes a review as to whether there has been a significant or prolonged decline in the fair value of the asset below its cost. Where such evidence exists, the cumulative loss is removed from the statement of total recognised gains and losses and is charged to the non-technical account.

An impairment loss of a debt instrument is reversed through the non-technical account if the fair value of the instrument increases in a subsequent period and such an increase can be related to an event which occurred after the impairment loss was originally recognised. An impairment loss of an equity instrument is not reversed.

1.6 Derivative financial instruments

Derivative financial instruments, used for mitigating risk, include futures, forward foreign exchange contracts, credit default swaps and currency swaps. They are designated as held for trading. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets and valuation techniques including discounted cash flow models and options pricing models which have certain inputs not based on observable market data.

Changes in the fair value of derivative instruments are recognised immediately in the non-technical account. No adjustment is made to the classification of existing investments to reflect the effect of the future settlement of these transactions.

1.7 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Exchange gains and losses arising on all items, with the exception of the exchange gains and losses on the translation of equity security valuations, are treated as part of the investment return in the non technical account. Exchange gains and losses on the equity securities are included within the revaluation of available for sale financial assets in the statement of total recognised gains and losses. If an equity security has been impaired the exchange is transferred to the non-technical account as part of the impairment provision.

1.8 Deferred tax

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1.9 Tangible fixed assets and depreciation

- Computers and major software developments 20% - 33.3%.
- Fixtures, fittings, equipment and motor vehicles 12.5% - 33.3%.
- Leasehold improvements period of lease to a maximum of 50 years.

The Company has taken advantage of the concession in FRS 17 (Retirement Benefits) paragraph 9 which allows limited reporting by individual companies who participate in a groupwide pension arrangement that does not enable individual companies within the group to identify their share of the underlying assets and liabilities. In such cases, FRS 17 allows for a defined benefit scheme to be treated by the participating company as if it were a defined contribution arrangement.

All leases are operating leases. Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the members passing a written resolution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MANAGEMENT OF FINANCIAL RISK

2.1 Financial risk management objectives and policies

The Company is exposed to financial risk through the inherent uncertainty in undertaking insurance business affecting its financial assets and liabilities. The most important components of this risk are market (including interest rate and price risks), credit and liquidity risks.

The Company is part of AXA UK plc which has established a groupwide financial risk management framework and associated set of policies. These are designed to ensure that financial risks are adequately controlled and monitored through Risk Committees advising the Group Chief Executive and individual business unit Chief Executives. A dedicated Financial Risk Management function supports the individual business units by ensuring that a full understanding and control of financial risks is incorporated into management decision making and procedures.

Financial risks are considered from both a shareholder and a policyholder liability perspective with the adoption of appropriate risk policies to cover different situations, such as insurance contracts, where the principal technique is to match assets to liabilities, and non-investment credit risk. The Company does not use hedge accounting.

The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed.

2.2 Market risk

Market risk can be defined as the risk that movements in market factors (such as valuation of equities or bonds), interest rates and currency rates impact adversely the value of, or income from, the financial assets. Also, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

For an insurance company, market risk appetite is required to reflect the aim of retaining prudent margins to avoid insolvency whilst balancing the desire to optimise investment performance. In order to control market risk, assets are chosen where relevant to match a range of underlying liability characteristics such as their mean duration, inflation and currency factors.

The Investment Committee is responsible for strategy for the invested assets of AXA UK group companies by setting investment guidelines. The Committee defines and documents the range of strategic asset allocation by class of asset taking into account the interaction between assets and liabilities. The Committee also defines concentration limits. Together, these controls are monitored monthly for each portfolio to help control the impact of price risks on the portfolio.

(a) Interest rate

The fair value of debt securities is exposed to future interest rate fluctuations. Included in debt securities of £1,482.8m (2007: £1,843.5m) is £404.2m (2007: £547.2m) in respect of variable rate debentures and £291.0m (2007: £nil) in respect of index linked debentures. Debt securities with fixed interest rate are exposed to fair value interest rate risk but not cashflow interest rate risk. Debt securities with variable interest rates are exposed to cashflow interest rate risk but not fair value interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)**2.2 Market risk (continued)***(a) Interest rate (continued)*

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 100 basis points in interest yields would result in additional profit for the period of £4.6m (2007: £5.0m) plus unrealised losses in the statement of total recognised gains and losses of £43.9m (2007: £62.9m). A decrease of 100 basis points in interest yields would result in reduced profit for the period of £4.6m (2007: £5.0m) plus unrealised gains in the statement of total recognised gains and losses of £47.6m (2007: £67.0m).

(b) Equity price risk

Listed equity securities represent 65% (2007: 62%) of total equity investments. If the relevant market indices had increased/decreased by 10%, with all other variables constant, and all the Company's equity investments moving according to the historical correlation index, the profit for the year would increase/decrease by £10.1m (2007: £8.0m), and unrealised gains recorded through the statement of total recognised gains and losses would increase/decrease by £20.8m (2007: £21.3m).

(c) Currency risk

The Company is exposed to currency risk in respect of portfolios denominated in other currencies, principally the US dollar and euro. Mitigation of this risk is partly achieved by matching the liabilities with assets in the same currency. At 31 December 2008, if the pound had weakened/strengthened by 1%, with all other variables constant, the profit before tax for the year would have been £1.9m (2007: £0.8m) lower/higher.

2.3 Capital management

The Company is regulated by the FSA and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Company manages capital in accordance with these rules and has embedded in its processes the necessary tests to ensure continuous and full compliance with such regulations. Given the variability of the many inflows and outflows which are subject to price and other combinations of risk, regular monitoring of liability and asset profiles is undertaken to establish the implications for supporting capital requirements.

The Company is subject to the FSA's capital adequacy requirements (which are based on EU Directive requirements). At 31 December 2008 the total capital available to meet its adjusted solo basis Solvency I requirement is £721m (2007: £721m) which exceeds the General Insurance Capital Requirement by 44% (2007: 27%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

2.3 Capital management (continued)

The Company is also subject to self-assessed risk-based capital requirements under the FSA's individual capital adequacy regime and carries out an Individual Capital Assessment (ICA), taking into account the variability of these risks, to ensure that there are sufficient assets to back the liabilities, under extreme scenarios. The ICA is established at levels of security defined by the AXA group and the FSA to whom regular reports are made. The Company has complied with all regulatory capital requirements throughout the year.

In addition, general insurers are required to maintain equalisation provisions in respect of certain classes of business to protect against the impact of large claims and catastrophes. The basis on which these equalisation provisions are established is set out in regulations. Further details of the equalisation provision amount and movement are disclosed in accounting policy note 1.2 (h) and note 25 respectively.

2.4 Insurance and reinsurance risk

The Company's insurance risk policy outlines its objectives in carrying out insurance business, its appetite for insurance risk and its policies for identifying, measuring, monitoring and controlling insurance risk. Reinsurance is used to manage insurance risk and is monitored through the Reinsurance Committee. This includes the effectiveness of the reinsurance programme in reducing the gross provisions whilst considering the non-investment credit risks associated with reinsurance balances.

2.5 Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades affecting financial assets.

For investment related items credit risk is actively accepted in anticipation of the potential returns to be made but within closely controlled limits set and monitored by the Investment Committee. The exposure to credit risk is controlled by the application of concentration limits to limit the exposure to any one counterparty and by restrictions on investment below certain credit ratings.

Non-investment items which generate credit risk generally arise as a by-product of the Company's insurance operations, such as premium debts from policyholders and intermediaries, reinsurance balances and other operational debts. Exposure is controlled via different processes including the active monitoring of premium debt.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

2.5 Credit risk (continued)

The assets bearing credit risk are summarised below:

	2008	2007
	£m	£m
Debt securities - available for sale - listed	1,546.2	1,843.5
Deposits with ceding undertakings	35.1	13.4
Direct insurance operations debtors	601.7	661.3
Reinsurance operations debtors	14.4	19.4
Other debtors	15.3	17.1
Available for sale overseas unincorporated investment funds	49.3	77.7
Deposits with credit institutions	476.1	436.3
Cash at bank and in hand	34.6	13.1
Total assets bearing credit risk	<u>2,772.7</u>	<u>3,081.8</u>

An analysis of credit risk assets by economic exposure is shown below.

	2008	2007
	£m	£m
AAA	487.4	510.9
AA	524.2	559.2
A	854.4	997.5
BBB	197.8	218.7
Below BBB	3.8	7.1
Not rated (primarily related to insurance receivables)	705.1	788.4
Total assets bearing credit risk	<u>2,772.7</u>	<u>3,081.8</u>

The following table provides the aging of debtors from insurance and reinsurance operations that are past due but not impaired.

	Not past due or impaired	Overdue less than 6 months	Overdue 6-12 months	Overdue over 1 year	Provided for	Carrying value £m
2008						
Direct insurance operations	97%	2%	0%	0%	1%	601.7
Reinsurance operations	80%	0%	0%	0%	20%	14.4
2007						
Direct insurance operations	92%	5%	1%	1%	1%	661.3
Reinsurance operations	85%	0%	0%	0%	15%	19.4

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. MANAGEMENT OF FINANCIAL RISK (CONTINUED)

2.6 Liquidity risk

Liquidity risk is defined as the risk that the Company, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when they fall due at reasonable cost.

Liquidity risk could arise from illiquid asset holdings, inappropriate asset/liability matching or inexact forecast operating liquidity requirements resulting in insufficient short-term (including intra-day) and longer-term liquidity. This is controlled via the higher level requirements of AXA UK for annual liquidity reviews including stress testing to ensure that sufficient liquidity exists in the business. In addition, a robust working capital management environment is encouraged by ensuring there are appropriate loan and overdraft facilities, backed up by regular short-term cashflow forecasting.

The table below provides an analysis of the Company's financial liabilities bearing liquidity risk, all of which are payable within one year apart from subordinated loans which are payable after five years (note 24).

	2008 £m	2007 £m
Subordinated loans	80.0	80.0
Direct insurance operations	185.9	221.8
Reinsurance operations	10.6	16.5
Amounts owed to credit institutions	9.5	15.9
Other creditors including taxation and social security	302.8	365.4
Total liabilities bearing liquidity risk	588.8	699.6

3. GENERAL INSURANCE BUSINESS

3.1 Geographical analysis

Substantially all gross written premiums in respect of direct and reinsurance business are written in the United Kingdom.

3.2 Class of business analysis

	Gross written premiums		Gross earned premiums	
	2008 £m	2007 £m	2008 £m	2007 £m
Direct and reinsurance accepted				
Motor - third party	26.6	26.5	26.0	22.6
- other	468.1	448.6	458.1	399.6
Accident and health	196.8	212.3	203.8	203.2
Third party liability	321.7	362.1	341.2	374.1
Fire and other damage to property	880.1	833.4	859.7	831.7
Marine, aviation and transport	15.6	18.6	17.1	19.0
Miscellaneous	133.0	173.3	129.5	132.0
	2,041.9	2,074.8	2,035.4	1,982.2

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. GENERAL INSURANCE BUSINESS (CONTINUED)

3.2 Class of business analysis (continued)

	Gross claims incurred		Gross operating expenses	
	2008	2007	2008	2007
	£m	£m	£m	£m
Direct and reinsurance accepted				
Motor - third party	20.7	10.3	5.6	4.8
- other	378.4	339.6	148.5	109.3
Accident and health	116.9	131.9	109.2	114.6
Third party liability	89.9	79.3	133.1	131.7
Fire and other damage to property	391.3	542.5	384.6	365.7
Marine, aviation and transport	5.5	4.5	9.6	9.1
Miscellaneous	95.6	94.2	69.9	65.3
	1,098.3	1,202.3	860.5	800.5

The business analysis follows the categories used in The FSA Insurance Annual Return.

	Reinsurance balance	
	2008	2007
	£m	£m
Direct and reinsurance accepted		
Motor - third party	(0.3)	(0.6)
- other	(7.5)	(11.4)
Accident and health	(2.3)	(1.3)
Third party liability	(26.2)	(3.9)
Fire and other damage to property	(84.8)	(78.0)
Marine, aviation and transport	1.4	1.1
Miscellaneous	1.5	(2.9)
	(118.2)	(97.0)

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to reinsurance outwards.

3.3 Analysis of net operating expenses

	2008	2007
	£m	£m
Acquisition costs	703.7	736.2
Movement in deferred acquisition costs	(21.7)	(79.6)
Administrative expenses	178.5	143.9
Reinsurance commission and profit participation	(3.7)	(4.6)
	856.8	795.9

Commissions written on direct insurance business, included in acquisition costs above, amounted to £582.0m (2007: £593.6m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

	2008	2007
	£m	£m
Motor	(27.5)	(15.1)
Accident and health	2.1	2.0
Third party liability	(127.4)	(176.2)
Fire and damage to other property	(55.0)	(26.5)
Marine, aviation and transport	(5.7)	(9.2)
Miscellaneous	7.4	(0.7)
Total decrease in prior years' claims reserves	<u>(206.1)</u>	<u>(225.7)</u>

An actuarial reserve review led to a reduction in prior year reserves mainly in Liability lines due to revised IBNER assumptions following file-by-file savings on claims as they settle continuing at a greater rate than previously expected.

5. INVESTMENT RETURN

5.1 Investment income

	2008	2007
	£m	£m
Net income from land & buildings	5.3	-
Interest income from available for sale investments	116.3	133.7
Other income from available for sale investments	30.8	21.9
Gains on the realisation of available for sale financial assets	-	61.9
	<u>152.4</u>	<u>217.5</u>

5.2 Investment expenses and charges

	2008	2007
	£m	£m
Investment management expenses	2.9	3.0
Interest payable	6.7	6.1
Net expenses of land and buildings	-	0.9
Loss on realisation of investments	1.5	-
Movement in impairment on available for sale financial assets	<u>103.1</u>	<u>32.0</u>
	<u>114.2</u>	<u>42.0</u>

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. INVESTMENT RETURN (CONTINUED)

5.3 Total investment return

	2008 £m	2007 £m
Investment income (note 5.1)	152.4	217.5
Investment expenses (note 5.2)	(114.2)	(42.0)
Net unrealised losses on available for sale financial assets	(149.5)	(78.3)
Other	(38.4)	(8.5)
Total investment return	<u>(149.7)</u>	<u>88.7</u>
Analysed between:		
Non-technical account	1.9	167.9
Statement of total recognised gains and losses	<u>(151.6)</u>	<u>(79.2)</u>
Total investment return	<u>(149.7)</u>	<u>88.7</u>

6. DIRECTORS' EMOLUMENTS

The directors are employed and paid by companies in the AXA group and their directorships are held as part of that employment. No director has received any emoluments or other benefits from the Company or from any other company in the AXA group in respect of services to the Company.

Mr. K. G. Gibbs, Mr. P. J. Hubbard, Mr. P. L. H. Maso y Guell Rivet, Mr. F. de Méneval, Mr. N. J-M. D. Moreau, Mr. J. O'Neill and Mr. I. Robinson were also directors of the intermediate parent company, AXA UK plc, during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company.

Mr. M. Cliff, Mr. J. P. D. L. Drouffe, Mr. I. H. Johnson, and Mr. G. Stouls were also directors of AXA Insurance plc during the year and their emoluments, which relate to their services to the AXA group as a whole, are disclosed in the financial statements of that company.

7. STAFF COSTS

Staff engaged in the Company's activities are employees of AXA Services Limited, a fellow subsidiary undertaking, and the related costs incurred are recharged to the Company. Pension costs included in the recharge are detailed in note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. STAFF PENSION COSTS

Staff engaged in the Company's activities are members of the AXA UK Pension Scheme which embraces a number of companies in the AXA UK group. The Scheme has both defined benefit and defined contribution sections but the Company is unable accurately to identify its share of the underlying assets and liabilities of the defined benefit section. Accordingly, the Company has accounted for its contribution to the defined benefit section as if it were a defined contribution arrangement.

A full independent valuation by Watson Wyatt of the defined benefit scheme was carried out at 31 March 2006 and an internal actuarial review by qualified actuaries was performed as at 31 December 2008. The next full valuation is scheduled for 31 March 2009. The actuarial review of the defined benefit scheme as at 31 December 2008 revealed a deficit of £309m (£296m as at 31 December 2007) before taking account of any tax relief. This represents a snapshot of the present cost of meeting pension obligations that will crystallise over a period of many years. The Scheme invests in a wide range of assets, including equities, which over the long term, are expected by the directors to produce higher returns than those underlying the assessment of the deficit as at 31 December 2008. The AXA UK group made additional contributions totalling £26m (2007: £26m) to the Scheme, in accordance with the plan to reduce the deficit.

The total pension cost which has been charged to the profit and loss account of the Company is £23.1m (2007: £21.7m). There were no outstanding contributions as at 31 December 2008 (2007: £nil).

9. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

(Loss)/profit on ordinary activities before tax is stated after charging:

	2008 £m	2007 £m
Amortisation of intangible asset (note 11)	21.6	34.0
Impairment of intangible asset	-	17.0
Tangible fixed asset depreciation (note 19)	18.9	9.0
Onerous loss (note 26)	-	12.2
Rentals under operating leases	12.0	12.4

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

	2008 £m	2007 £m
Audit services		
Fees payable to the Company's auditors for the audit of the statutory accounts	0.7	0.5
Non-audit services		
Fees payable to the Company's auditors and its associates for other services:		
Other services pursuant to legislation	0.1	0.2
	0.8	0.7

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

10.1 Analysis of tax (credit)/charge in period

	Profit and loss account		Statement of total recognised gains and losses	
	2008 £m	2007 £m	2008 £m	2007 £m
Current tax:				
UK corporation tax on profit of the period	(28.0)	22.3	-	(23.5)
Adjustments in respect of previous periods	15.9	12.3	-	-
	(12.1)	34.6	-	(23.5)
Foreign tax	1.0	0.7	-	-
Total current tax (note 10.2)	(11.1)	35.3	-	(23.5)
Deferred tax:				
Origination and reversal of timing differences	15.8	(10.8)	(41.6)	-
Adjustment to deferred tax assets arising in previous periods	(24.5)	(0.4)	-	-
Total deferred tax (note 17)	(8.7)	(11.2)	(41.6)	-
Tax (credit)/charge	(19.8)	24.1	(41.6)	(23.5)

The previous period adjustment to deferred tax assets arises from a reduction in the quantum of tax losses surrendered to other group companies.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

10.2 Factors affecting current tax charge/(credit) for the period

The tax assessed for the period is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are explained below:

	Profit and loss account		Statement of total recognised gains and losses	
	2008	2007	2008	2007
	£m	£m	£m	£m
(Loss)/profit before tax	<u>(35.9)</u>	<u>53.3</u>	<u>(157.9)</u>	<u>(22.7)</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(10.2)	16.0	(45.0)	(6.8)
Effects of:				
Expenses not deductible for tax purposes (primarily equity unrealised gains taxed on a six year spread and unrealised losses on subsidiaries)	0.1	4.0	2.4	0.2
Income not taxable (primarily UK equity income and unrealised gains on subsidiaries)	(1.7)	(4.5)	-	(16.9)
Capital allowances for the period in excess of depreciation	5.2	0.2	-	-
Surplus tax losses carried forward	6.8	6.8	41.8	-
Effect of reduction in future tax rate to 28%	0.1	-	0.8	-
Utilisation of tax losses	(28.0)	-	-	-
Higher tax rates on overseas earnings	0.7	0.5	-	-
Adjustments to tax charge in respect of previous periods	<u>15.9</u>	<u>12.3</u>	<u>-</u>	<u>-</u>
Current tax charge/(credit) for the period (note 10.1)	<u>(11.1)</u>	<u>35.3</u>	<u>-</u>	<u>(23.5)</u>

10.3 Factors that may affect future tax charges

The Company has a substantial trading loss carried forward as at 31 December 2008. This will significantly reduce tax payable in future accounting periods.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. OTHER INTANGIBLE ASSETS

	Total £m
Cost	
At 1 January 2008	155.3
Additions	<u>3.3</u>
At 31 December 2008	<u>158.6</u>
Accumulated amortisation	
At 1 January 2008	108.9
Charge for the year	<u>21.6</u>
At 31 December 2008	<u>130.5</u>
Net book value – 31 December 2008	<u>28.1</u>
Net book value – 31 December 2007	<u>46.4</u>

Other intangible assets comprise advance commission payments in respect of future business. Costs are amortised over varying periods over which the Company is expected to benefit, currently between 1 and 6 years.

12. LAND AND BUILDINGS

	2008 £m	2007 £m
Market value: Freehold	<u>98.5</u>	<u>105.1</u>
Cost	<u>142.1</u>	<u>115.7</u>

Included in land and buildings at market value is £9.5m (2007: £11.6m) in respect of land and buildings occupied by the Company for its own use. The remaining properties form part of a jointly held property portfolio with 85% held by the Company and 15% held by AXA PPP healthcare limited, a subsidiary undertaking.

Land and buildings were valued at 31 December 2008 on an open market existing use basis by Lambert Smith Hampton or by CB Richard Ellis, who are external chartered surveyors, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. LAND AND BUILDINGS (CONTINUED)

On 23 December 2005, the Company and Ipswich Borough Council concluded agreements for the Company to lease Suffolk House, Ipswich and to substantially repair and refurbish the building. Refurbishment is being conducted in phases and has to be completed within five years of the date of the agreement. To ensure that the Council would not be disadvantaged if the Company failed to complete the repair works, the Council required the Company to deposit £8.5m into an escrow bank account. A separate escrow agreement ensures that this money can only be used for the purpose of the repairs and refurbishment. At 31 December 2008 the balance in this account was £3.6m which, after satisfactory review by the Council of the repair works carried out, has been released back to the Company in March 2009.

A provision of £5.1m was created at 31 December 2005 for the estimated repair costs, of which £1.2m remains at 31 December 2008 for utilisation in the future refurbishment phases (see note 26). Refurbishment costs, in excess of the repair costs considered necessary by the Council, are being capitalised as leasehold improvements (see note 19). Owing to the phased nature of the refurbishment, occupation will also be phased, and so an onerous lease provision was created in 2006. At 31 December 2008 this stands at £0.8m (2007: £1.1m), undiscounted.

13. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

13.1 Investment in subsidiary undertakings

	2008 £m	2007 £m
Current value at 1 January	784.4	736.9
Movement in current value	(6.3)	56.5
Disposal of Venture Preference Limited (at cost)	-	(9.0)
Current value at 31 December	<u>778.1</u>	<u>784.4</u>
Cost	<u>780.9</u>	<u>780.9</u>

In the opinion of the directors, the value of the investment of the Company in its subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

On 8 January 2007, the Company's wholly-owned subsidiary, Bluefin Insurance Group Limited (formerly Venture Preference Limited), was transferred to Bluefin Group Limited (formerly AXA Advisory Holdings Limited) at net asset value, funded by an increase in the loan from the Company to AXA Insurance plc of £10.5m. Bluefin Group Limited is the new advisory and broking arm of AXA UK plc and the transfer ensures the structural separation of the distribution and underwriting business of the Company from this new broking capability.

13.2 Particulars of principal subsidiary undertakings

	Country of incorporation or registration	Holding of ordinary shares
Insurance companies		
AXA General Insurance Limited	England	100%
AXA PPP healthcare limited (indirect holding)	England	100%

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2008	2007	2008	2007
	£m	£m	£m	£m
Available for sale shares and other variable yield securities and units in unit trusts:				
- listed	265.3	213.3	304.1	202.9
- non-listed	144.9	132.2	188.8	148.9
Available for sale debt securities and other fixed income securities:				
- listed	1,482.8	1,843.5	1,683.7	1,901.5
- listed issued by ultimate parent company	63.4	-	65.0	-
- non-listed	13.8	15.0	15.0	15.0
- non-listed issued by intermediate parent company	45.0	-	45.0	-
Deposits with credit institutions	476.1	436.3	476.1	436.3
	2,491.3	2,640.3	2,777.7	2,704.6

Other financial investments are denominated in the following currencies:

	Current value	
	2008	2007
	£m	£m
Pound	2,295.7	2,574.1
Euros	150.5	12.8
US dollar	38.6	45.9
Other currencies	6.5	7.5
	2,491.3	2,640.3

15. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2008	2007
	£m	£m
Due from policyholders	144.2	136.9
Due from intermediaries	457.5	524.4
	601.7	661.3

Included in due from intermediaries above is £13.8m (2007: £12.5m) relating to amounts due from fellow subsidiaries.

16. REINSURANCE OPERATIONS

Included within Reinsurance operations debtors is £9.8m (2007: £14.2m) in respect of amounts due from fellow subsidiaries. Included within Reinsurance operations creditors is £nil (2007: £5.4m) due to fellow subsidiary undertakings.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DEFERRED TAX

The deferred tax asset comprises:

	2008	2007
	£m	£m
Accelerated capital allowances	6.4	(0.5)
Tax losses carried forward	207.6	164.0
Other timing differences	(1.5)	(1.3)
Undiscounted deferred tax asset	<u>212.5</u>	<u>162.2</u>
Asset at start of period	162.2	151.0
Deferred tax credit in profit and loss account (note 10.1)	8.7	11.2
Deferred tax credit in statement of total recognised gains and losses (note 10.1)	41.6	-
Undiscounted deferred tax asset	<u>212.5</u>	<u>162.2</u>

Recognition of the net deferred tax asset arising from the carried forward tax losses is based upon the profit forecasts of the AXA UK group for future accounting periods and the ability to obtain relief for the losses against these future profits.

18. OTHER DEBTORS

	2008	2007
	£m	£m
Amounts due from intermediate parent undertakings	63.8	34.4
Amounts due from immediate parent undertaking	7.4	347.9
Amounts due from subsidiary undertakings	5.1	5.1
Amounts due from fellow subsidiary undertakings	48.6	10.3
Amounts due from associated group undertaking	-	0.1
Salvage and subrogation recoverable	61.8	69.8
Other debtors	54.4	42.0
	<u>241.1</u>	<u>509.6</u>

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. TANGIBLE FIXED ASSETS

	Leasehold improvements £m	Vehicles £m	Fixtures and fittings £m	Software £m	Total £m
Cost					
At 1 January 2008	7.0	0.1	2.5	36.7	46.3
Additions	-	-	0.7	7.1	7.8
Disposals	-	(0.1)	(0.9)	(0.7)	(1.7)
At 31 December 2008	<u>7.0</u>	<u>-</u>	<u>2.3</u>	<u>43.1</u>	<u>52.4</u>
Accumulated depreciation					
At 1 January 2008	0.5	0.1	1.0	9.0	10.6
Charge for the year	0.5	-	0.3	18.1	18.9
Release on Disposal	-	(0.1)	(0.9)	(0.7)	(1.7)
At 31 December 2008	<u>1.0</u>	<u>-</u>	<u>0.4</u>	<u>26.4</u>	<u>27.8</u>
Net book value – 31 December 2008	<u>6.0</u>	<u>-</u>	<u>1.9</u>	<u>16.7</u>	<u>24.6</u>
Net book value – 31 December 2007	<u>6.5</u>	<u>-</u>	<u>1.5</u>	<u>27.7</u>	<u>35.7</u>

Leasehold improvements relate to refurbishment of operational property.

Software additions relate to expenditure incurred in the design and development of software for use within the Company's computer systems.

The useful life of software has been reassessed during the year resulting in additional depreciation of £8.1m on a number of applications (2007: £nil).

20. CASH AT BANK AND IN HAND

Cash at bank and in hand includes £3.6m (2007: £3.3m) in an encumbered escrow account as disclosed in note 12.

21. CALLED-UP SHARE CAPITAL

	2008		2007	
	Authorised £m	Paid-up £m	Authorised £m	Paid-up £m
Authorised: 489,056,602 (2007: 489,056,602)				
Ordinary shares of 25p each	122.3	-	122.3	-
Issued: 489,056,602 (2007: 489,056,602)				
Ordinary shares of 25p each	-	122.3	-	122.3
	<u>122.3</u>	<u>122.3</u>	<u>122.3</u>	<u>122.3</u>

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £m	Share premium account £m	Revaluation reserve £m	Capital contributions £m	Profit and loss account £m	Total £m
At 1 January 2008	122.3	798.7	(2.5)	228.7	208.7	1,355.9
Loss for the year	-	-	-	-	(16.1)	(16.1)
<i>Movement in STRGL*:</i>						
Change in current value of subsidiary undertakings	-	-	(6.3)	-	-	(6.3)
Revaluation of assets	-	-	(151.6)	-	-	(151.6)
Deferred tax thereon	-	-	41.6	-	-	41.6
At 31 December 2008	122.3	798.7	(118.8)	228.7	192.6	1,223.5

Revaluation reserve comprises of net unrealised gains and losses on available for sale investments, group occupied property and investment in subsidiary undertakings.

**Statement of total recognised gains and losses*

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £m	2007 £m
(Loss)/profit on ordinary activities after tax	(16.1)	29.2
Recognised (losses)/gains on change in current value of subsidiaries	(6.3)	56.5
Revaluation of available for sale financial assets (net of tax)	(107.9)	(54.8)
Unrealised losses on property revaluations	(2.1)	(0.9)
Net addition to shareholders' funds	(132.4)	30.0
Shareholders' funds at 1 January	1,355.9	1,325.9
Shareholders' funds at 31 December	1,223.5	1,355.9

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. SUBORDINATED LOANS

	2008 £m	2007 £m
Subordinated loans are payable as follows:		
After five years	<u>80.0</u>	<u>80.0</u>

On 21 December 2001, the Company was granted a subordinated loan facility of £50m by its immediate parent company, AXA Insurance plc. On the same date, the Company drew down £30m. Under the terms of the loan agreement, interest on each drawdown is payable annually at LIBOR plus 1.7%. Each loan granted under the facility has a maturity of fifteen years from the date of drawdown and is repayable on demand by the lender, provided the lender has given not less than five years notice in writing to the borrower. On 28 March 2002, the Company drew down a further £10m.

On 28 March 2002, the Company was granted a perpetual subordinated loan facility of £50m by its immediate parent company, AXA Insurance plc. On 11 June 2002, the Company drew down £40m. Under the terms of the agreement, interest on each drawdown is payable half-yearly at LIBOR plus 2.2%. Each loan granted under the facility is repayable on demand by the lender, provided the lender has given not less than five years notice in writing to the borrower.

25. EQUALISATION PROVISION

The equalisation provision is established in accordance with accounting policy note 1.2 (h). The effect of this provision is to reduce shareholders' funds by £146.3m (2007: £125.9m). The increase in the provision during the year had the effect of reducing the balance on the technical account for general business and the profit before tax by £20.4m (2007: £14.7m).

26. ANALYSIS OF PROVISIONS FOR OTHER RISKS

	MIB provision £m	Vacant space provision £m	Other provisions £m	Total £m
At 1 January 2008	13.3	11.6	15.8	40.7
Charge for the year	15.6	1.6	2.2	19.4
Utilised during the year	(14.9)	(3.4)	(13.2)	(31.5)
At 31 December 2008	<u>14.0</u>	<u>9.8</u>	<u>4.8</u>	<u>28.6</u>

Motor Insurers' Bureau (MIB) provision

The MIB provision relates to the levy payable in respect of 2008 premiums. The provision is assessed on 2008 premiums and information available from the MIB at the time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. ANALYSIS OF PROVISIONS FOR OTHER RISKS (CONTINUED)

Vacant space provision

The vacant space provision relates to future rent expenses for leasehold property where the property is vacant or where the property is sublet and the rents receivable are lower than rents payable under the terms of the headlease. It is utilised over the remaining period of the leases.

Other provisions

Included in other provisions are:

Suffolk House provisions, £1.2m (other) and £0.8m (included in vacant space) (see note 12)

As described in note 12, provision has been made for anticipated repair costs for Suffolk House, Ipswich. At the year end, £1.2m of this provision remains for utilisation in the further refurbishment phases. In addition, due to the timing of the refurbishment and future occupation, the onerous lease provision (included under vacant space) has been reduced to £0.8m (2007: £1.1m).

Fire Brigade levy, £2.8m

The cumulative position represents the accrual for the estimated 2008 charge of £1.7m and a balance of £1.1m for potential prior year charges following an industry wide audit by the London Metropolitan Fire Brigade in 2005.

Provision for onerous contract, £0.8m

The onerous Contract provision made during 2007 as a result of review of an underperforming contract has been mostly utilised in 2008 and hence the balance for 2008 is £0.8m (2007: £12.2m).

27. AMOUNTS OWED TO CREDIT INSTITUTIONS

	2008 £m	2007 £m
Bank borrowings are as follows:		
Amounts owed to credit institutions, repayable other than by instalments within one year or on demand	9.5	15.9

The carrying amount of amounts owed to credit institutions approximate their fair value.

28. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2008 £m	2007 £m
Amounts due to subsidiary undertakings	247.5	280.2
Amounts due to fellow subsidiary undertakings	0.1	2.6
Amounts due to associates	0.5	-
Amounts due in respect of future group tax relief	-	52.1
Other creditors	60.8	30.9
	<u>308.9</u>	<u>365.8</u>

All the above amounts are payable within one year and approximate their fair value.

AXA INSURANCE UK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES

	2008 £m	2007 £m
Annual commitments under non-cancellable operating leases are as follows:		
Expiry date:		
Within one year	1.0	1.3
Between one and five years	0.9	0.9
After five years	3.1	3.3
	<u>5.0</u>	<u>5.5</u>

All operating lease commitments relate to land and buildings.

30. CAPITAL EXPENDITURE COMMITMENTS

As disclosed in note 12, the agreement for the repair and refurbishment of Suffolk House has a completion date of December 2010 by which time it is anticipated that capital expenditure of a further £2.1m (2007: £2.0m) will be incurred. The Company had no other capital expenditure commitments as at 31 December 2008 (2007: £nil).

31. CONTINGENT ASSETS AND LIABILITIES

- (a) With the approval of the FSA, the Company and certain of its fellow subsidiary undertakings have entered into a mutual guarantee whereby each company guarantees payment of all liabilities incurred by the others in respect of general insurance business.
- (b) The Company has an intra-group deed of guarantee with Swiftcover Insurance Services Limited ("Swiftcover"), a fellow subsidiary undertaking. This is an FSA "comparable" guarantee which is in lieu of a professional indemnity policy. The Company guarantees to pay professional negligence claims against Swiftcover in circumstances where such claims would have been covered under the terms of the AXA group Professional Indemnity Cover up to an annual aggregate of €15m for misselling claims and €8m for all other claims.

32. CASH FLOW STATEMENT

Under FRS 1 (Cash Flow Statements (revised 1996)) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking of a parent undertaking which produces a consolidated cash flow statement. The cash flow of the Company is consolidated in the Guardian Royal Exchange plc financial statements which can be obtained from 5 Old Broad Street, London EC2N 1AD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. RELATED PARTIES

As the Company is a wholly-owned subsidiary it has taken advantage of the exemption granted under FRS 8 (Related Party Disclosures) where subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available.

The costs of administering the pension scheme referred to in note 8, with the exception of investment management expenses, are borne by the Company. There were no other material transactions by the Company with non-group related parties in 2008.

34. ULTIMATE PARENT

In the opinion of the directors, the Company's ultimate parent and controlling undertaking is AXA, a company incorporated in France. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is AXA. Copies of the AXA group financial statements can be obtained from 23, avenue Matignon, 75008 Paris, France.

The parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared is Guardian Royal Exchange plc, a company registered in England. Copies of the Guardian Royal Exchange plc financial statements can be obtained from 5 Old Broad Street, London EC2N 1AD.