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MMA Insurance plc

Annual Report and Financial Statements

31 December 2007

MMA Insurance plc

Contents

MMA Insurance plc

Report of the Directors
For the Year Ended 31 December 2007

DIRECTORS	Scott Nelson	Chairman
	Graham Doswell	
	Jean Fleury	
	Gilles Mongis	
	Garry Fearn	
	Barry Hulbert	
	Bertrand Lefebvre	
	Bruno Mercier	
	George Nixon	
	Jean-Michel Pescheux	
	Derek Plummer	
	Michel Roux	
	Dominique Salvy	
	Steven Whittaker	
SECRETARY	Steven Whittaker	

The directors of MMA Insurance plc submit the annual report and financial statements of the Company for the year to 31 December 2007

Principal Activity

The principal activity of the Company continues to be the underwriting of non-life insurance business in the United Kingdom The business conducted is principally motor, property and liability

Review of the Business

The Company has followed the recommendations of the ABI Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005

The Company's key performance indicators during the year were as follows

	2007 £ 000	2006 £ 000
Gross written premium	246,301	216,676
Operating profit	11,410	16,725
Total profit after tax	12,303	12,755
Invested funds	347,054	352,086
Shareholders' funds	106,836	97,423

Gross written premium increased by over 13% in the year reflecting continued growth in the company's insurance portfolio and also its ability to carry rate increases Portfolio growth has been achieved by the development of both existing and new product lines and by effective use of technology for distribution purposes

Operating profit was inevitably affected by the weather related events in June and July 2007 However the impact of these was contained by a prudent re-insurance programme and by the availability of a release from the claims equalisation reserve

Total profit after tax reflects the performance of the company's investment portfolio In particular the focus on investing only in bonds with AAA ratings has enabled the company to avoid any significant issues relating to the credit crunch

The outlook for 2008 is positive with further improvements in rates and underwriting performance expected The Directors expect continued growth in turnover and profitability through the development of both existing and new products, and from working effectively with intermediary distribution

Investment markets are likely to remain difficult for, at least part of 2008, as the effects of the credit crunch continue to unfold

The directors propose the payment of a final dividend for the year amounting to £3,700,000, (2006 - £3,800,000)

Principal Risks and Uncertainties

The Board is responsible for approving the Company's strategy and the Company's risk appetite in the implementation of that strategy The Company has established a risk management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives The principal risks and uncertainties facing the Company are classified under strategic, insurance, financial and compliance

Strategic

The Company operates in a highly competitive market which has changed in structure substantially over recent years particularly so far as distribution and technology are concerned The Company has actively addressed these business challenges through information technology development and distribution management

Insurance

Pricing and reserving risks are inherent in general insurance

So far as pricing is concerned there is a risk that premiums may not reflect the technical exposure with a consequent impact on results Pricing is reviewed on a regular basis to ensure this risk is minimised

For reserving there is a risk that claims reserves are insufficient to match the future claims payments There is always uncertainty in the estimation of general insurance claim reserves as this process involves the projection of future events that are uncertain Actual results will therefore vary from our estimates Settlements can be affected by recent and future changes to court awards and changes to legal and court procedures Case estimates are reviewed on a regular basis and overall account reserves are subject to internal actuarial review quarterly This is supplemented by external independent review twice a year

Financial Risks

The Company manages liquidity risk through regular cash flow forecasts and monitoring It also holds a substantial investment fund This represents the funds covering liabilities to policyholders, and the shareholders' assets The Company is exposed to the risk of adverse fluctuations in the market value of these investments and/or variations in the income from them To address this, a prudent investment approach is adopted with the majority of the funds invested in bonds or the money market

The Company provides credit to intermediaries in connection with the arrangement of insurance contracts The Company actively monitors overdue debt and has procedures in place to minimise exposure in the event of default

Compliance

The Company falls under the regulatory regime of the Financial Services Authority (FSA) and must meet the operational, financial and reporting requirements of that Authority These include capital adequacy and other financial requirements together with a range of customer facing obligations under the general requirement of "treating customers fairly" The Company has a Legal and Compliance function which has established and oversees a Compliance Framework and liaises with the FSA on regulatory matters

Directors

The directors named on page 1 served throughout the year except

Graham Doswell and Jean Fleury were appointed on 10 April 2007 Both retire and being eligible, offer themselves for re-election

Gilles Mongis retires by rotation and, being eligible, offers himself for re-election

Jean Dubois also served until his resignation on 23 March 2007

None of the directors had an interest in the share capital of the Company or its parent Companies during the year

Directors' qualifying third party indemnity provisions

The ultimate parent company has purchased insurance to indemnify one or more of the company's directors against liability in respect of proceedings brought by third parties, against them in their capacity as a director, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Charitable Contributions

Contributions totalling £3,572 were made during the year

Employees

Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability

Employee Involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole Communication with all employees continues through the Company intranet, briefing groups and the distribution of the annual report

Creditor Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with At 31 December 2007 the amount outstanding in other creditors did not exceed agreed payment terms, which are most commonly thirty days from date of invoice

Disclosure of Information to the Auditors

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

1 so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2007 of which the auditors are unaware, and
2 the director has taken all steps that he ought to have taken in his duty 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

Auditors

The auditors, PricewaterhouseCoopers LLP, were appointed during the year and have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting

Statement of Directors' Responsibilities in Respect of the Financial Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare accounts for each financial year, which 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 accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue its business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website 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

S WHITTAKER
Secretary
19 March 2008

We have audited the financial statements of MMA Insurance plc for the year ended 31 December 2007, which comprise the Technical Account – General Business, Non-Technical Account, Balance Sheet, Statement of Total Recognised Gains & Losses, the accounting policies and the related notes 1 to 23 These financial statements have been prepared on the basis of the accounting policies set out therein

Respective Responsibilities Of Directors And Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statements 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 no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person to whom this report is shown or into whose hands in 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 transactions with the Company is not disclosed

We read the Director's 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

Emphasis of Matter – 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 2007, and the effect of the movement in those provisions during the year on shareholders' funds, the balance on the general business technical result and profit before tax, are disclosed in the accounting policy and in note 16

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 affairs of the Company as at 31 December 2007 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
26 March 2008

MMA Insurance plc

Profit & Loss Account
For the Year Ended 31 December 2007

Technical Account - General Business

		2007		2006	
Earned premiums, net of reinsurance	Notes	£ 000	£ 000	£ 000	£ 000
Gross premiums written	1		246,301		216,676
Outward reinsurance premiums			(30,328)		(36,787)
Net premiums written			215,973		179,889
Change in the gross provisions for unearned premiums		(14,339)		(10,850)	
Change in the provision for unearned premiums, reinsurers' share		(3,260)		(3,935)	
Change in the net provision for unearned premiums			(17,599)		(14,785)
Earned premiums, net of reinsurance			198,374		165,104
Allocated investment return transferred from the non-technical account			19,315		17,759
			217,689		182,863
Claims incurred, net of reinsurance					
Gross amount		(180,162)		(136,874)	
Reinsurers' share		20,290		22,739	
Net of reinsurance		(159,872)		(114,135)	
Change in the provision for claims					
Gross amount		(5,780)		939	
Reinsurers' share		9,748		(3,966)	
Net of reinsurance		3,968		(3,027)	
Claims incurred, net of reinsurance			(155,904)		(117,162)
Change in the equalisation provision	16		8,846		(2,103)
Other technical income			2,817		1,618
Net operating expenses	2		(62,038)		(48,491)
Balance on the general business technical account			11,410		16,725

MMA Insurance plc

Profit & Loss Account continued
For the Year Ended 31 December 2007

Non – Technical Account

	Notes	2007 £ 000	2007 £ 000	2006 £ 000	2006 £ 000
Balance on the general business technical account			11,410		16,725
Total investment return	3	23,697		18,244	
Allocated investment return transferred to the technical account - general business		(19,315)		(17,759)	
			4,382		485
Expected return on pension fund assets		1,917		1,593	
Interest on pension scheme liabilities		(1,371)		(1,250)	
			546		343
Exchange adjustments			(2)		(28)
Profit on ordinary activities before tax			16,336		17,525
Tax on profit for the financial year	7		(4,033)		(4,770)
Profit for the financial year			12,303		12,755

There are no material discontinued operations

MMA Insurance plc

Statement of Total Recognised Gains and Losses
For the Year Ended 31 December 2007

	2007		2006	
	£ 000	£ 000	£ 000	£ 000
Profit after tax for the financial year		12,303		12,755
Pension fund actuarial gain	1,272		2,228	
Corporation tax @ 28% on pension fund actuarial gain (2006 30%)	(356)		(668)	
		916		1,560
Currency variation on the carrying value of the French branch	(9)		(1)	
Corporation tax @ 30%	3		-	
		(6)		(1)
Total recognised gains for the year		13,213		14,314

Statement of Historical Cost Profit
For the Year Ended 31 December 2007

There are no differences between the result on ordinary activities before taxation and the result for the financial period as shown above and the historical cost equivalent.

MMA Insurance plc

Balance Sheet
As at 31 December 2007

	Notes	2007 £ 000	2007 £ 000	2006 £ 000	2006 £ 000
Assets					
Investments					
Investments in group undertakings and participating interests		1		1	
Other financial investments		344,019		341,515	
	9		344,020		341,516
Reinsurers' share of technical provisions					
Provision for unearned premiums		15,330		18,590	
Claims outstanding	15	67,077		57,331	
			82,407		75,921
Debtors					
Debtors arising out of direct insurance operations	10	49,876		39,115	
Debtors arising out of reinsurance operations		2,578		692	
Other debtors	11	9,702		6,500	
			62,156		46,307
Other assets					
Tangible fixed assets	12	777		1,143	
Cash at bank and in hand		3,034		10,570	
			3,811		11,713
Prepayments and accrued income					
Accrued interest		3,806		4,043	
Deferred acquisition costs		34,115		27,844	
Other prepayments and accrued income		1,927		1,390	
			39,848		33,277
Total assets excluding pension fund asset			532,242		508,734
Pension fund asset	20		2,494		1,451
Total Assets			534,736		510,185

MMA Insurance plc

Balance Sheet continued
As at 31 December 2007

	Notes	2007 £ 000	2007 £ 000	2006 £ 000	2006 £ 000
Liabilities					
Capital and reserves					
Called up share capital	13	15,000		15,000	
Profit and loss account	14	91,836		82,423	
Total equity shareholders' funds			106,836		97,423
Technical provisions					
Provisions for unearned premiums		131,652		117,313	
Claims outstanding	15	263,037		255,463	
Equalisation provision		396		9,242	
			395,085		382,018
Deferred taxation	17		643		1,102
Creditors					
Creditors arising out of direct insurance operations		92		93	
Creditors arising out of reinsurance operations		11,606		9,755	
Other creditors including taxation and social security	18	8,979		7,781	
			20,677		17,629
Accruals and deferred income	19		11,495		12,013
Total Liabilities			534,736		510,185

These financial statements were approved by the Board of Directors on 19 March 2008 and were signed on its behalf by

Garry Fearn
Chief Executive

The principal accounting policies followed by the Company are set out below

Basis of Preparation

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

The financial statements have also been prepared in accordance with applicable accounting standards and under Historical Cost accounting rules, modified to include the revaluation of investments

Consolidation

As the Company is ultimately owned by an EU Parent, the Company has not prepared consolidated accounts (see note 22)

Basis of Accounting

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

a) Premiums

Written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon

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

b) Unearned Premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk The provision for unearned premium is calculated on a daily pro rata basis

c) Claims Incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years

The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs The provision also includes the estimated cost of claims incurred, but not reported at the balance sheet date The number of claims expected and their anticipated final cost are projected from the Company's statistical history Projections are made separately for each class of business, based on information available up to one month after the balance sheet date It is assumed that the Company's statistical history will provide a suitable base for projection, and that trends included in the data will be maintained The impacts of case law and legislation are also taken into account Their impact on the statistical base and current reserves is assessed The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset

Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided Any differences between provisions and subsequent settlements are dealt with in the technical account - general business of later years

d) Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date

e) Unexpired Risks Provision

Provision is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums, net of deferred acquisition costs The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available up to one month after the balance sheet date Investment income is taken into account in calculating the provision

f) Equalisation Provision

Amounts are set aside as equalisation provisions in accordance with the FSA's Handbook 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, they are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet

g) Reinsurance

Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contacts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts Contracts that do not meet these classification requirements are classified as financial instruments Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts, provided there is significant transfer of insurance risk

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability Reinsurance recoveries in respect of estimated claims incurred but not reported 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 The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when due

h) Investment Return

Dividends are included as investment income when the investments to which they relate are declared 'ex-dividend' Rents and interest income are recognised on an accruals basis, as are investment expenses

Investment return, comprising investment income and realised and unrealised investment gains and losses, and investment expenses are included initially within the non-technical account

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price, or latest carrying value if investments are carried at amortised cost

Investment return is allocated from the non-technical account to the technical account - general business so as to reflect the longer term investment return on investments attributable to the general insurance business in the technical account - general business The allocation is based on the longer-term rate of investment return on investments supporting the technical provisions and shareholders' funds

Investments

Investments, consisting of listed investments, units in authorised unit trusts and deposits with credit institutions, are stated at their current values at the end of the year

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current profit and loss account

Associated and subsidiary companies are included at cost

Cash Flow Statement

In accordance with Financial Reporting Standard 1, the Company has not presented a cash flow statement as the Company's cash flows have been consolidated with those of its ultimate parent company La Mutuelle du Mans Assurances IARD

Taxation

The taxation charge in the non-technical account is based on the taxable profits for the year

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

Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Tangible Assets

Expenditure on computer equipment, motor vehicles and fixtures, fittings and office equipment is capitalised and depreciated over the estimated useful economic lives of the assets on a straight-line basis The periods used are as follows

Computer Equipment	-	3 to 5 years
Motor Vehicles	-	3 to 5 years
Fixtures, Fittings and Office Equipment	-	5 years

Depreciation is charged to the technical account - general business and is included in administrative expenses

Foreign Currencies

The UK pound is the functional currency of all activities with the exception of the French branch whose functional currency is the Euro

Transactions in foreign currencies are recorded at the rate ruling at 31 December each year or at the contracted rate if the transaction is covered by a forward exchange contract Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate Exchange differences arising from transactions are taken to the profit and loss account Exchange differences arising from the retranslation of the opening net investment in foreign business operations are taken to the statement of realised gains and losses

Operating Leases

Rentals payable under operating lease are charged to the profit and loss account over the lease terms

Pension Costs

The Company operates a defined contribution scheme Contributions are charged to the profit and loss account as they become due under the rules of the scheme The Company also operates a defined benefits pension scheme, which is now closed to new members Pension costs are assessed in accordance with the advice of independent qualified actuaries based on the last full actuarial assessment as at 1 January 2006 This has been updated to 31 December 2007 as required by FRS 17 using the projected unit method The company has borne all expenses relating to the scheme

The pension surplus recognised in the balance sheet is the value of the scheme's assets less the present value of the scheme's liabilities

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme Current service cost is the actuarially calculated present value of the benefits earned by the active employees in each period Past service costs, relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits, are recognised in the profit and loss account on a straight-line basis over the period in which the increase in benefits vest Net expected return on the pension asset comprises the expected return on the pension scheme assets less interest on scheme liabilities

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of total recognised gains and losses for the period to the extent they are attributable to shareholders The attributable deferred taxation is shown separately in the statement of total recognised gains and losses

Dividends

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

1 Segmental Reporting

(a) All contracts of insurance were concluded in the United Kingdom (2006 - Same)

(b) Analysis of gross written premiums, gross earned premiums, gross incurred claims, gross operating expenses and the reinsurance balance

2007	Motor	Fire and other damage to property	Liability	Others	TOTAL
	£ 000	£ 000	£ 000	£ 000	£ 000
Gross written premiums	112,558	89,279	23,409	21,055	246,301
Gross earned premiums	112,331	85,915	23,235	10,481	231,962
Gross incurred claims	(96,165)	(85,170)	(3,046)	(1,561)	(185,942)
Gross operating expenses	(27,037)	(28,220)	(7,137)	(8,212)	(70,606)
Gross technical result	(10,871)	(27,475)	13,052	708	(24,586)
Reinsurance result	(4)	10,729	(5,666)	(41)	5,018
Net technical result	(10,875)	(16,746)	7,386	667	(19,568)
Equalisation provision	-	8,846	-	-	8,846
Allocated investment return	9,368	5,745	3,781	421	19,315
Other technical income	1,500	777	244	296	2,817
Balance on technical account	(7)	(1,378)	11,411	1,384	11,410
Net technical provisions excluding equalisation reserves	160,344	81,409	59,145	11,384	312,282

The gross claims incurred figure is reduced by £13 9m (£10 4m after reinsurance) (2006 - £7 3m - £6 3m after reinsurance) due to the favourable difference between the loss provision made at the beginning of the year for outstanding claims incurred in previous years and the loss provision shown at the end of the year in respect of such outstanding claims, less payments made during the year

1 (Cont) Segmental Information

2006	Motor	Fire and other damage to property	Liability	Others	TOTAL
	£ 000	£ 000	£ 000	£ 000	£ 000
Gross written premiums	105,145	80,381	23,101	8,049	216,676
Gross earned premiums	103,826	71,933	22,744	7,323	205,826
Gross incurred claims	(82,587)	(39,335)	(12,529)	(1,483)	(135,934)
Gross operating expenses	(25,143)	(23,893)	(6,287)	(5,194)	(60,517)
Gross technical result	(3,904)	8,705	3,928	646	9,375
Reinsurance result	(2,961)	(6,565)	266	(664)	(9,924)
Net technical result	(6,865)	2,140	4,194	(18)	(549)
Equalisation provision	-	(2,103)	-	-	(2,103)
Allocated investment return	8,585	5,313	3,739	122	17,759
Other technical income	723	523	372	-	1,618
Balance on technical account	2,443	5,873	8,305	104	16,725
Net technical provisions excluding equalisation reserves	141,448	89,953	61,337	4,117	296,855

2 Net Operating Expenses

	2007 £ 000	2006 £ 000
Acquisition costs		
Commission in respect of direct insurance	57,343	46,603
Others	3,674	3,223
	61,017	49,826
Change in gross deferred acquisition costs	(6,271)	(4,314)
	54,746	45,512
Administration expenses	12,896	11,957
Motor Insurers Bureau levy	3,091	2,748
Financial Services Compensation Scheme	(127)	300
Gross operating expenses	70,606	60,517
Reinsurance commissions	(7,624)	(10,757)
Change in deferred reinsurance commission	(944)	(1,269)
	62,038	48,491

Included in administration expenses is auditor's remuneration in respect of audit services amounting to £96,000, (2006 - £89,000) and in respect of non-audit services amounted to £22,000, (2006 - £5,000)

Administrative expenses also include

	2007 £ 000	2006 £ 000
Depreciation of tangible assets	552	656
Operating lease rentals	1,163	1,163

3 Investment Return

	2007 £ 000	2006 £ 000
Investment Income		
Income from other financial investments	17,997	17,786
Gains on the realisation of equity investments	1,888	2,574
Movement in net unrealised gains/(losses) on investments	3,812	(2,116)
	23,697	18,244

4 Allocated Investment Return

The allocation of investment return is based on the longer term return on investments

(a) Assumptions

The longer term return on equities is estimated with regard to historical real rates of return for the market and current inflation expectation adjusted for consensus economic and investment market forecasts of investment return

The longer term investment return on fixed interest securities is calculated using the amortised cost basis with realised gains and losses subject to continuing amortisation over the remaining period to the maturity date

The longer term investment return on index linked securities is calculated using the projected yield to redemption at the date of purchase

The allocated longer term returns for other categories of investments are the actual interest income receivable for the year

The principal assumptions underlying the calculation of the longer term investment return are as follows

	2007 %	2006 %
Equities	7 0	7 0
UK Fixed interest gilts	4 8	4 7
UK Index linked gilts	4 6	4 6
Corporate bonds	5 1	4 6

The directors are of the opinion that these rates of return are appropriate and have been selected with a view to ensuring that returns credited to operating results are not inconsistent with the actual returns which will be earned over the longer term In respect of 2007 a change of one percent in the longer-term investment return used for equities would produce a change of £660,000 in the investment income transferred to the general business technical account

(b) Comparison of longer term investment return with actual return

The actual return on investments attributable to general business and shareholders in the period from 1 January 2003 to 31 December 2007 is compared below with the aggregate longer term return which would have been recognised in the balance on the technical account - general business over the same period using the longer term rate of return described above

	2003 - 2007 £ 000	2002 - 2006 £ 000
Actual investment return attributable to shareholders dealt with in profit on ordinary activities in the non-technical account	103,830	79,710
Longer term investment return attributable to shareholders credited to operating profit and to the technical account - general business	(86,527)	(79,278)
Surplus	17,303	432
If the longer term rate of return used for equities was changed by one percent, for all of the five years, the change to the above result would be	2,724	2,532

5 Directors' Emoluments

The aggregate amount of emoluments, including benefits in kind, paid to or receivable by directors during the year was as follows

	2007 £ 000	2006 £ 000
Aggregate emoluments and benefits	982	880
Contributions to pension fund in respect of directors	96	88
	1078	968
Highest paid director :		
Aggregate emoluments and benefits	447	408
Pension contributions	64	59
	511	467

Two directors are accruing retirement benefits under the Company's defined benefits pension scheme The highest paid director's accrued pension at 31 December 2007 was £205,000 (2006 - £183,000)

6 Staff Numbers And Costs

The average number of persons employed by the Company (including directors) during the year was as follows

	2007	2006
Non-executive Directors	11	10
Executive Directors / Senior Management	5	5
Actuarial	7	8
Commercial	71	61
Customer Services	128	158
Finance	57	56
Business Services	39	28
	318	326

The aggregate payroll costs in respect of these persons were as follows	2007 £ 000	2006 £ 000
Wages and salaries	8,585	7,940
Social security costs	811	791
Other pension costs	1,224	1,222
	10,620	9,953

7 Taxation

			2007 £ 000	2006 £ 000
(a)	Current tax	UK Corporation Tax payable	4,419	3,601
		Tax under/(over) provided in prior years	70	(10)
		Total current tax	4,489	3,591
	Deferred tax	Unrealised gains	(460)	(37)
		Other timing differences	4	(89)
		Deferred tax (note 17)	(456)	(126)
		Pension contributions	-	1,305
		Tax charge for year	4,033	4,770
	Deferred tax - Statement of realised gains and losses			
		Actuarial gain (note 20)	356	688

(b) Factors affecting current tax charge

The tax charge in the year is at a lower rate than standard rate of corporation tax in the UK of 30% Differences as below

		2007 £ 000	2006 £ 000
Profit on ordinary activities before tax		16,336	17,525
	Profit on ordinary activities at 30%	4,901	5,257
	Expenses not deductible for tax purposes	147	32
	Income on which no tax is payable	(673)	(591)
	Unrealised gains	64	37
	Pension contributions	(36)	(1,305)
	Other timing differences	16	51
	Addition charge to tax re S 107 of the Finance Act 2000	-	120
	Tax under/(over) provided in prior years	70	(10)
Total current tax (Note 7a)		4,489	3,591

8 Dividend

	2007 £ 000	2006 £ 000
Amount paid to equity shareholders	3,800	9,300

The 2006 final dividend, paid in 2007 amounted to £3 8m (25 3 pence per share) (2005, paid in 2006 £9 3m - 62 pence per share)

In addition, the directors are proposing final dividend in respect of the financial year ended 31 December 2007 of £3 7m (24 7 pence per share)

9 Other Financial Investments

	Market value		Cost	
	2007 £ 000	2006 £ 000	2007 £ 000	2006 £ 000
Equities	65,259	65,376	47,415	48,896
Bonds	245,420	250,668	248,176	261,582
Deposits with credit institutions	33,340	25,471	33,340	25,471
Subsidiary company	1	1	1	1
	344,020	341,516	328,932	335,950
Listed investments included in the above	310,679	316,044	295,591	310,478

The subsidiary company is Gateway Insurance Agency Ltd, registered in England, with a holding of 100% ordinary shares This company is dormant

10 Debtors Arising Out Of Direct Insurance Operations

	2007 £ 000	2006 £ 000
Amounts owed by policyholders	23,418	20,617
Amounts owed by intermediaries	26,458	18,498
	49,876	39,115

11 Other Debtors

	2007 £ 000	2006 £ 000
Salvage and subrogation recoveries	7,623	5,873
Amounts owed by group undertakings	1,142	98
Other debtors	937	529
	9,702	6,500

12 Tangible Assets

	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 1 January 2007	2,858	2,475	416	5,749
Additions	135	26	32	193
Disposals	(31)	(2)	(29)	(62)
At 31 December 2007	2,962	2,499	419	5,880
Depreciation				
At 1 January 2007	2,188	2,239	179	4,606
Charge for the year	297	133	122	552
Elimination in respect of disposals	(31)	(2)	(22)	(55)
At 31 December 2007	2,454	2,370	279	5,103
Net Book Value				
At 31 December 2007	508	129	140	777
At 31 December 2006	670	236	237	1,143

13 Share Capital

	2007 £ 000	2006 £ 000
Authorised ordinary shares 40,000,000 (2006 40,000,000) Ordinary shares of £1 each	40,000	40,000
Allotted, called up and fully paid 15,000,000 (2006 15,000,000) Ordinary shares of £1 each	15,000	15,000

14 Profit And Loss Account

	2007 £ 000	2006 £ 000
As at 1 January	82,423	77,409
Retained profit for the year	12,303	12,755
Dividend paid	(3,800)	(9,300)
Exchange differences	(6)	(1)
Actuarial gain on pension fund	916	1,560
As at 31 December	91,836	82,423

15 Claims Outstanding

2007	Gross £ 000	Reinsurance £ 000	Net £ 000
Notified outstanding claims	197,275	54,227	143,048
Provision for claims incurred but not reported	63,521	12,850	50,671
	260,796	67,077	193,719
Claims handling expenses	2,241	-	2,241
	263,037	67,077	195,960

2006	Gross £ 000	Reinsurance £ 000	Net £ 000
Notified outstanding claims	178,631	40,123	138,508
Provision for claims incurred but not reported	74,368	17,208	57,160
	252,999	57,331	195,668
Claims handling expenses	2,464	-	2,464
	255,463	57,331	198,132

16 Equalisation Provision

These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date Due to the exceptional level of losses on property classes caused by the summer weather events, application of the rules in 2007 has triggered a large release from this provision The movement in equalisation provisions during the year resulted in an increase in the general business - technical account result and the profit before taxation of £8,846,000 (2006 – decrease of £2,103,000)

The inclusion of an equalisation provision has the cumulative effect of reducing shareholders' funds by £248,000 (2006 - £6,440,000) after taking into account taxation

17 Deferred Taxation

Full provision has been made for deferred taxation, at 28% (2006 - 30%) as follows

	2007		2006	
	£ 000	£ 000	£ 000	£ 000
Revaluation of investments		780		1,240
Other timing differences		(162)		(166)
Differences on exchange		25		28
		643		1,102
Deferred tax liability at beginning of year		1,102		1,229
Movements in year on				
Revaluation of investments	(460)		(37)	
Other timing differences	4		(89)	
Current taxation (Note 7)		(456)		(126)
Differences on exchange		(3)		(1)
Deferred tax liability at end of year		643		1,102

18 Other Creditors Including Taxation And Social Security

	2007	2006
	£ 000	£ 000
Corporation taxation payable	2,818	1,865
Other taxes including insurance premium tax and social security costs	3,204	2,943
Due to group companies	2,542	2,168
Other creditors	415	805
	8,979	7,781

19 Accruals And Deferred Income

	2007 £ 000	2006 £ 000
Deferred reinsurance commissions	5,891	6,836
Motor Insurers Bureau levy	3,227	2,927
Financial Services Compensation Scheme	407	535
Other accruals and deferred income	1,970	1,715
	11,495	12,013

20 Pension Benefit

The Company operates two pension schemes The assets of both schemes are held independently and separately from those of the Company in trust administered accounts

Defined contribution scheme
This scheme is open to employees who became eligible to join on or after 1 January 2001 Benefits are based on contributions made to the scheme by the Company during the employee's membership

Defined benefits scheme
Benefits are based on final pensionable salary This scheme closed to new members on 31 December 2000 The disclosures below refer to this scheme

FRS 17 disclosures

A full actuarial valuation was carried out, for the defined benefit scheme, as at 1 January 2006 and updated to 31 December 2007 by a qualified independent actuary The major assumptions used by the actuary were

	2007	2006	2005
Discount rate	5 9%	5 2%	4 8%
Inflation assumption	3 5%	3 3%	2 9%
Rate of increase in salaries	5 3%	5 1%	4 7%
Rate of increase in pensions in payment	3 4%	3 2%	2 9%
Mortality table – pre-retirement	PA92 +2 Medium cohort	A92 - 5	A92
Mortality table – post retirement for non pensioners	PA92 +2 Medium cohort	PA92 c2020	PA92 with ROB improvement
Mortality table – post retirement for pensioners	PA92 +2 Medium cohort	PA92 c2006	PA92 with ROB improvement
Allowance for commutation	None	None	None

20 (Cont) Pension Benefit

Life expectancy for male currently aged 63	22 2
Life expectancy for female currently aged 63	25 0
Life expectancy at 63 for a male currently aged 40	23 3
Life expectancy at 63 for a female currently aged 40	26 1

The assets in the scheme and the rate of return were

	Long term rate of return	Long term rate of return	Long term rate of return	£ 000	£ 000	£ 000
	2007	2006	2005	2007	2006	2005
Equities	8 0%	8 0%	8 0%	18,510	17,150	13,507
Bonds	5 9%	5 2%	4 8%	9,856	9,592	6,864
Other	3 0%	3 0%	3 0%	1,440	1,419	789
Total market value of assets				29,806	28,161	21,160
Present value of scheme liabilities				(26,342)	(26,088)	(25,730)
Surplus/(deficit) in the scheme				3,464	2,073	(4,570)
Related deferred tax (liability)/asset				(970)	(622)	1,371
Net pension asset/(liability)				2,494	1,451	(3,199)

Note additional voluntary contributions, which represent a matching asset and liability, have been excluded from the valuation

The Company is committed to fully funding its pension scheme liabilities Contributions in 2007 were made at the rate of 15 9% of pensionable salary

Analysis of the amount charged to operating profit

	2007 £000	2006 £000
Current service cost	919	926
Past service cost	-	-
Curtailments and settlements	-	-
Total operating charge	919	926

20 (Cont) Pension Benefit

Movements in surplus during the year

	2007 £ 000	2006 £ 000
Surplus/ (deficit) in scheme at beginning of the year	2,073	(4,570)
Movement in year		
Current service cost	(919)	(926)
Contributions	492	4,998
Other finance income	546	343
Actuarial gain	1,272	2,228
Surplus in scheme at the end of year	3,464	2,073

Analysis of amount credited to other finance income

	2007 £ 000	2006 £ 000
Expected return on pension scheme assets	1,917	1,593
Interest on pension scheme liabilities	(1,371)	(1,250)
Net return	546	343

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £ 000	2006 £ 000
Actual return less expected return on pension assets	(393)	718
Experience gains and losses arising on the scheme liabilities	(217)	601
Changes in financial assumptions underlying the scheme liabilities	1,882	909
Actuarial gain recognised in statement of total recognised gains and losses	1,272	2,228

20 (Cont) Pension Benefit

History of experience gains and losses

	2007	2006	2005	2004	2003
	£ 000	£ 000	£ 000	£ 000	£ 000
Difference between the expected and actual return on scheme assets	(393)	718	2,188	437	706
Percentage of scheme assets	(1%)	3%	10%	3%	6%
Experience gains and losses on scheme liabilites	(217)	601	743	1	(32)
Percentage of the present value of the scheme liabilities	(1%)	2%	3%	0%	0%
Total amount recognised in statement of total recognised gains and losses	1,272	2,228	(880)	(522)	(2,214)
Percentage of the present value of the scheme liabilities	5%	9%	3%	(2%)	12%

21 Commitments

Annual commitments in respect of non-cancellable operating leases are as follows

Land and buildings	2007 £ 000	2006 £ 000
Operating leases which expire between one and five years	1,163	1,163

22 Ultimate Parent Company

(a) The ultimate parent company is MMA IARD Assurances Mutuelles, a company incorporated in France Copies of the group accounts prepared by the parent company can be obtained from the registered office, the address of which is shown on page 34

(b) Group company balances

Included in debtors arising out of direct insurance operations
- Balances due from intermediaries – are the following

	2007 £ 000	2006 £ 000
Due from fellow subsidiary companies	3,771	4,060

Included in balances arising out of reinsurance operations are the following

Due to parent company	346	211
Due to fellow subsidiary companies	4,988	3,804

Other Group company balances are reflected in notes 11 and 18

23 Related Party Transactions

Advantage has been taken of the exemption within FRS 8 from disclosure of those transactions between the company and fellow members of the MMA group of companies whose voting rights are more 90% owned by the ultimate parent

There were no other material related party transactions

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WEB ADDRESS	www mma-insurance com
BANKERS	Royal Bank of Scotland Plc 62/63 Threadneedle Street London EC2R 8LA
AUDITORS	PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD