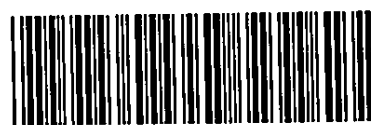


GROUPAMA INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2008

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Directors and Officers

Executive Directors

F-X. Boisseau	Chief Executive Officer
L. Matras	Managing Director
P. W. Picknett	Corporate Director
R. L. Sampson	Finance Director

Non-Executive Directors

J-F. Lemoux	Chairman
A. P. M. Cornut-Chauvinc	
J-P. Decool	
C. R. Dollé	
J-M. Fabre	
M. B. G. Habig	
G. J. H. M. Joalland	
J. D. Morgan	
B. A. Pottier	
J-J. Rozier	

Secretary

R. Whitfield-Jones

Registered Office

Groupama House, 24-26 Minories, London EC3N 1DE

Registered Number 995253

Auditors

Mazars LLP, Tower Bridge House, St Katharine' s Way, London E1W 1DD

Directors' Report

The Directors of Groupama Insurance Company Limited present their Report and the audited Financial Statements of the Group for the year ended 31 December 2008.

Principal activity and review of business

The principal activity of the Group is that of an authorised insurer transacting general insurance business in the UK.

The Group recorded a profit after tax of £18,464,000 (2007 : £23,042,000) which the Directors consider to be a satisfying result in light of current market and economic conditions.

The insurance operations of the Group are assessed with reference to the net technical result. The principal key performance indicators that the Directors and senior managers use are the combined loss ratio, which measures the technical result against earned premium, and investment yield. The combined loss ratio for 2008 was 102.7% (2007: 101.8%). The investment yield was 5.0% (2007: 4.9%). Both measures are within the range of strategic targets set by the Executive.

As shown in Note 15, the Company has a relatively small portfolio of equity investments. The overall value of the investments has fallen during 2008. Whilst most of these unrealised losses are accounted for in the Statement of Recognised Income and Expense, an impairment charge has been recognised in the Income Statement for the equity investments whose market value has fallen significantly below original cost.

Dividends

A dividend of £10,000,000 was paid on 27 June 2008.

Future business developments

The Company has prepared a plan for 2009 which anticipates broadly unchanged premium income. The Company does however remain alert to business opportunities which fit with the UK group's strategic plans.

Groupama UK Services Limited

As a consequence of Groupama UK Services Limited ("GUKS") providing services to the Group, the majority of expenses including salary costs, are paid by the services company and are shown as a management fee in Note 9 to the Financial Statements. GUKS is a subsidiary undertaking of GUK Broking Services Limited. All employees of the Company were employed by GUKS. With effect from 1 January 2009, all assets and liabilities of GUKS were transferred to the Company following which the Company will incur its expenses directly. All contracts of employment with GUKS have been transferred to the Company with effect from January 1 2009.

Risk management

The Group is an insurance business with the primary activity of the evaluation and acceptance of risk. As such the Group is exposed to a number of risks including market risk, credit risk, operational risk, insurance risk and capital risk. The Board is responsible for the Group's systems of internal controls and for the review of control effectiveness. The internal controls within the Group are designed to manage rather than eliminate risk, and aim to provide assurance that risks are managed to an agreed appetite. The Group operates in a corporate governance structure which includes a Risk Committee and an Audit Committee. These meet regularly to provide an oversight of the risk and control environment and reports from these committees are provided to the Board. Further information regarding risk management is given in Note 3.

Disclosure of information to auditors

So far as the Directors believe, there is no relevant information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors have been informed of that information.

Directors' Report (continued)

Directors' interests

None of the Directors holding office at the year end had a beneficial interest in the shares of the Company or any other group company.

Directors

The present Directors of the Company are shown on page 2. All Directors have served throughout the year, with the exception of L. Matras, who was appointed as Managing Director on 1 April 2008.

Indemnification of Directors

The Directors have benefited from the provision of a third party indemnity during the year.

Auditors

Mazars LLP have expressed their willingness to continue in office and a proposal to reappoint Mazars LLP as auditors will be made at the Annual General Meeting.

By order of the Board



P. W. Picknett
Director
13 February 2009

Groupama House,
24-26 Minories,
London EC3N 1DE,
United Kingdom

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 and the Group will continue in 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

For the year ended 31 December 2008

Independent auditors' report to the members of Groupama Insurance Company Limited

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of Groupama Insurance Company Limited for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and related notes. These parent company Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

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

We report to you our opinion as to whether the Financial Statements give a true and fair view, whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group Financial Statements, Article 4 of the IAS Regulation and whether the information given in the Directors' Report is consistent with the Financial Statements. We also 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

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 Group's and 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.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Company's and the Group's affairs as at 31 December 2008 and of Group's profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Mazars LLP

Mazars LLP
Chartered Accountants and
Registered Auditors
13 February 2009

Tower Bridge House,
St Katharine's Way,
London E1W 1DD,
United Kingdom

Consolidated Income Statement

For the year ended 31 December 2008

	<i>Notes</i>	31 December 2008 £000	31 December 2007 £000
Income			
Gross premiums written	25 (b)	433,250	408,722
Change in gross unearned premiums	25 (b)	(12,131)	(7,400)
Gross premiums earned	25 (b)	421,119	401,322
Written premiums ceded to reinsurers		(27,098)	(28,054)
Change in reinsurers' share of unearned premium	25 (b)	(854)	(2,209)
Net premiums earned		393,167	371,059
Investment income	5	29,407	28,923
Other income	6	232	1,073
Total income		422,806	401,055
Expenses			
Claims incurred, net of reinsurance	7,25 (c)	(277,290)	(251,299)
Change in other technical reserves, net of reinsurance	25 (d)	272	587
Acquisition costs	8	(99,176)	(97,826)
Administrative expenses	9	(27,565)	(26,536)
Other charges	10	(583)	(2,931)
Operating profit		18,464	23,050
Share of loss of associated undertakings		-	(8)
Profit before tax		18,464	23,042
Taxation	11	-	-
Profit for the year		18,464	23,042

The Notes on pages 12 to 44 form an integral part of these Financial Statements.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

		31 December 2008 £000	31 December 2007 £000
	Notes		
Change in fair value of financial assets available for sale	15	(5,004)	961
Actuarial gains (losses) on defined benefit pension scheme	26	3,085	(7,320)
Net expense recognised directly in equity		(1,919)	(6,359)
Profit for the year		18,464	23,042
Total recognised income and expense for the year		16,545	16,683
Dividends paid	23	(10,000)	(10,000)
Retained profit		6,545	6,683

The Notes on pages 12 to 44 form an integral part of these Financial Statements.

Consolidated Balance Sheet

As at 31 December 2008

		31 December 2008 £000	31 December 2007 £000
	Notes		
ASSETS			
Intangible assets	12	937	1,071
Financial assets	15	558,356	542,474
Deferred tax assets	16	20,408	21,286
Deferred acquisition costs	17	47,227	40,870
Reinsurance assets	18	65,888	82,352
Insurance and other receivables	19	101,568	117,186
Cash and cash equivalents	20	66,804	72,984
Total assets		861,188	878,223
EQUITY			
Called up share capital	21,22	118,064	118,064
Retained earnings	22	24,231	17,686
Total shareholders' equity		142,295	135,750
LIABILITIES			
Provisions for other risks and charges	24	340	415
Insurance contract provisions	25 (a)	644,461	644,659
Employee benefits	26	31,663	39,204
Trade and other payables	27	42,224	57,963
Accruals and deferred income		205	232
Total liabilities		718,893	742,473
Total equity and liabilities		861,188	878,223

The Notes on pages 12 to 44 form an integral part of these Financial Statements.

Company Balance Sheet

As at 31 December 2008

	Notes	31 December 2008 £000	31 December 2007 £000
ASSETS			
Intangible assets	12	937	1,071
Investments in group undertakings	14	2,000	2,000
Financial assets	15	558,356	542,474
Deferred tax assets	16	20,408	21,286
Deferred acquisition costs	17	47,227	40,870
Reinsurance assets	18	65,888	82,352
Insurance and other receivables	19	101,568	117,185
Cash and cash equivalents	20	64,237	70,534
Total assets		860,621	877,772
EQUITY			
Called up share capital	21,22	118,064	118,064
Retained earnings	22	23,664	17,235
Total equity		141,728	135,299
LIABILITIES			
Provisions for other risks and charges	24	340	415
Insurance contract provisions	25 (a)	644,461	644,659
Employee benefits	26	31,663	39,204
Trade and other payables	27	42,224	57,963
Accruals and deferred income		205	232
Total liabilities		718,893	742,473
Total equity and liabilities		860,621	877,772

The Financial Statements on pages 7 to 44 were approved by the Board of Directors on 13 February 2009 and signed on its behalf by



F-X. Boisseau
Chief Executive Officer



R.L. Sampson
Finance Director

The Notes on pages 12 to 44 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	31 December 2008 £000	31 December 2007 £000
Profit before tax	18,464	23,042
Investment income per the Income Statement	(29,407)	(28,923)
Change in deferred acquisition costs	(6,357)	(3,903)
Share of results associated undertakings	-	8
Employee benefits charged to the Income Statement	350	-
Amortisation and impairment of intangible assets and impairment of associates	134	2,931
Investment income received net of expenses	30,482	25,984
Change in insurance contract provisions, net of reinsurance	16,266	7,549
Change in insurance and other receivables	18,313	618
Change in trade and other payables	(15,737)	(957)
Change in other liabilities	(104)	(358)
Contributions to defined benefit pension scheme	(4,806)	(12,646)
Net cash flow from operating activities	27,598	13,345
Disposal of subsidiaries	-	253
Net (purchase) sale of financial assets	(23,778)	2,870
Net cash flow from investing activities	(23,778)	3,123
Dividends paid	(10,000)	(10,000)
Loan to parent company	-	30,000
Repayment of subordinated liabilities	-	(30,000)
Net cash flow from financing activities	(10,000)	(10,000)
Cash and cash equivalents at 1 January	72,984	66,516
Net cash flow from operating activities	27,598	(12,639)
Net cash flow from investing activities	(23,778)	3,123
Net cash flow from financing activities	(10,000)	(10,000)
Cash and cash equivalents at 31 December	66,804	47,000

Net cash flow from operating activities includes claims payments made on the run off of a significant underwriting arrangement which ceased at the end of 2003. Cash outflow arising during 2008 in respect of this arrangement was £8.6m (2007: £10.5m).

The Notes on pages 12 to 44 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Financial Statements have been prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union ('EU') and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS.

There have been no new standards with a required application date occurring during 2008. Four interpretations issued by the International Financial Reporting Interpretations Committee are effective during the current period. These are IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programmes), IFRIC 14 (IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), and IFRIC 16 (Hedges of a Net Investment of a Foreign Operation). None of these interpretations have led to any changes in the Group's accounting policies.

In addition, the Group has not applied the following standards and interpretations in advance of their application date; IAS 23 (Revised) 'Borrowing Costs', IFRS 8 'Operating Segments', IFRIC 15 'Agreements for the Construction of Real Estate' (all applicable with effect from 1 January 2009) and IFRIC 17 'Distribution of Non Cash assets to Owners', applicable with effect from 1 July 2009.

IAS 23, IFRIC 15, and IFRIC 17 are not expected to have any impact on Group accounting policies. IFRS 8 is a disclosure standard which will have no impact on the Financial Statements except for the disclosure of additional segmental information if applicable.

In accordance with IFRS 4 (Insurance Contracts), the Group continues to apply existing accounting policies to its insurance contracts thereby complying with the Statement of Recommended Practice ('SORP') on Accounting for Insurance Businesses issued by the Association of British Insurers in December 2005 (as amended in December 2006).

(b) Basis of presentation

The Groupama Insurance Group (the Group) comprises Groupama Insurance Company Limited and its subsidiary undertakings. The Financial Statements are presented in Pounds Sterling and are rounded to the nearest thousand. They are prepared on the historical cost basis except that equities and fixed income securities are stated at their fair value. The Company is a wholly owned subsidiary of Groupama S.A. which itself produces consolidated accounts which are publicly available.

The Company is taking advantage of the exemption in S230 of the Companies Act 1985 not to present its individual Income Statement and related notes that form part of these Financial Statements. The profit of the Company for the year is £18,348,000 (2007: £22,896,000).

The preparation of the Financial Statements in accordance with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on past experience and other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates. Judgements made by Management in the application of IFRS that have a significant effect on the Financial Statements, and estimates with a significant risk of material adjustment in future financial years, are discussed in Note 2.

(c) Basis of consolidation

The consolidated Financial Statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiary undertakings acquired or sold during the period are included in the consolidated results from the date of acquisition or up to the date of disposal. On acquisition of a subsidiary undertaking, all of its assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Intra-group balances, transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated Financial Statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are all entities over which the Group (indirectly or directly) has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidation on the date on which control ceases.

Associated undertakings are companies other than subsidiary undertakings in which the Group holds 20% or more of the equity share capital for the long term and over which the group exercises significant influence but not control. Associated undertakings are accounted for using the equity method of accounting. The Income Statement reflects the Group's share of the post-acquisition results of operations of the associated undertakings. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

(d) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. The Group has undertaken a detailed review of all its underwriting contracts and classified all these as insurance contracts.

(e) Recognition and measurement of contracts

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

(I) Premiums written

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 Group, less any allowance for cancellations.

Premiums written are accounted for gross of commission except for premium on policies sold through certain intermediaries, whereby those intermediaries are responsible for setting the amount charged to the policyholder. In accordance with the terms of the underwriting agreements with those intermediaries, the Group has recognised only the premium receivable from the intermediaries, which excludes any commission charged by the intermediaries to the policyholders.

(II) Unearned premiums

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.

(III) Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(IV) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed by each underwriting area of the Group to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance contracts, net of related deferred acquisition costs. Future cash flows resulting from contracts take into account their attached cover and options. In performing these tests current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the Income Statement by establishing an unexpired risk reserve.

(V) Claims incurred

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

(VI) Claims outstanding

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 incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. A separate asset is booked for the expected value of salvage and other recoveries. The Group does not discount its liabilities for unpaid claims. The Group 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 provision established.

(VII) Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Group from its direct obligations to policyholders.

The benefits to which the Group and Company is entitled under outward reinsurance contracts are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified within "insurance and other receivables") as well as longer term receivables (classified as "reinsurance assets"). Amounts recoverable from reinsurers are estimated in a manner consistent with claims outstanding provisions or settled claims.

Amounts receivable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after initial recognition, that the Group and Company will not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group and Company will receive from the reinsurer.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income

Income comprises insurance premiums earned, net of reinsurance, commission income and investment income. The accounting policy in relation to insurance premiums is disclosed above in (e) and in relation to investment income in (j) below. Commission income consists of broking fees charged to third parties. They are recognised in the accounting period in which the services are rendered by reference to the completion of a specific transaction.

(g) Intangible assets

(I) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates. It represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the acquisition date. Goodwill is assigned to cash generating units (CGUs). A CGU is defined as an identifiable group of assets producing cash flows independently of other assets or groups of assets.

Goodwill is not amortised but is tested annually for impairment and is carried at cost less accumulated impairment losses. The Group revises the book value of the goodwill if an unfavourable event occurs between two annual tests. An impairment is recognised when the implied value of the CGU is insufficient to support the goodwill attributed to that CGU. The implied value is determined using an approach based on discounted future cash flows.

An impairment of goodwill recognised during a previous accounting period may not be subsequently reversed.

(II) Customer contract relationships

Costs that are directly attributable to selling rights to customer contract relationships are recognised as an intangible asset where they can be separately identified and measured reliably and it is probable they will be recovered by directly related future profits. These costs are amortised over their useful economic life and are carried at cost less accumulated amortisation and impairment losses.

(h) Investments in Group undertakings

The Company recognises all investments in group undertakings at cost less provisions for impairment in value.

(i) Investment in associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group share of the net assets of the associate. The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and its share of the post-acquisition movements in reserves is recognised in reserves.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets

The Group's and the Company's financial assets comprise shares, fixed interest securities, deposits (to the extent they have a maturity date of more than 3 months from the date of placement) and loans. Financial assets are recognised when the Group becomes a party to the contractual provisions of these assets. Financial assets are derecognised when the contractual rights expire or when the assets and substantially all the risks and rewards of ownership are transferred from the Group.

Shares and fixed interest securities are classified as "available for sale" and recorded at fair value. Movements in the fair value of these assets are recorded in reserves unless a financial asset is considered impaired, in which case the amount of the impairment is recognised in the Income Statement.

Deposits and loans are recorded at historical cost.

Financial assets are measured without any deduction for transaction costs that the Group may incur on disposal. The fair value of quoted investments is the quoted bid price at the balance sheet date.

Investment income comprises all interest and dividend income, movements in amortised cost on fixed interest securities and realised gains and losses, net of investment expenses, impairment charges and interest payable. Interest income is recognised as it accrues, taking in to account the effective yield on the investment. When available-for-sale financial assets are sold or impaired, the cumulative gains or losses previously recognised in equity are recognised in the Income Statement. The amount that is recognised in the Income Statement is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the Income Statement.

At each balance sheet date the Group looks for the existence of objective presumptions of depreciation in its investments. The criteria for impairment of shares are based on the significance of the fall in fair value taking into account the volatility of the financial markets during the accounting period. Impairment tests are undertaken at 30 June and at the balance sheet date. Any impairment of shares recognised at either date cannot be subsequently reversed through the Income Statement unless the shares are sold. The criteria for impairment of fixed interest securities are based on the likelihood of the bond issuers defaulting on the repayment of principal. Any impairment of fixed interest securities can be reversed through the Income Statement in a subsequent accounting period.

(k) Cash and cash equivalents

The Group and Company have classified bank deposits and cash balances as cash and cash equivalents. These assets are readily convertible into known amounts of cash and are subject to inconsequential changes in value. A deposit is deemed a cash equivalent if it has less than three months to maturity at the time of placement. For the purposes of the cash flow statement, cash and cash equivalents are shown net of any bank overdrafts.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets

Impairment of reinsurance assets is outlined in (e)(VII) above, of financial assets in (j) above, and of goodwill in (g)(I) above. The carrying amount of the Group's and the Company's other assets are reviewed at the balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised by the extent to which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value and value in use. In all cases, impairment losses are recognised in the Income Statement.

In respect of these other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term

(n) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the transaction. Profits and losses arising on translation are accounted for in the Income Statement.

(o) Income tax

Income taxes include all taxes, both current and deferred. Income tax is recognised in the Income Statement except where it relates to an item which is recognised directly in equity. When income taxes are payable or receivable and the payment is not subject to the execution of future transactions, the tax is classified as due, even if the payment is spread over several years. It appears as an asset or liability on the Balance Sheet as applicable.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in request of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

The Group and the Company operates both defined contribution and defined benefit pension schemes.

A defined contribution scheme is a pension plan under which the Group pays fixed contributions to an independent entity. In this case, the Group is not bound by any legal or implied obligation forcing it to contribute additional amounts to the scheme in the event the assets are not sufficient to pay all employees the benefits owed for the services rendered during the current and previous years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, years of service and salary.

The liabilities recorded on the Balance Sheet for the defined benefit pension scheme correspond to the discounted value of obligations linked to the defined benefit scheme at the balance sheet date after deducting scheme assets.

Actuarial gains and losses resulting from experience-based adjustments and modifications in actuarial assumptions are booked directly in equity.

The past service costs are immediately recognised in the Income Statement unless the changes in the pension scheme are subject to employees working over a defined period (the vesting period for rights). In this case, the costs of past services are amortised using the straight line method over this vesting period.

For defined contribution schemes, the Group and the Company pays contributions to pension schemes and is not liable for any other payment commitment. The contributions are booked as expenses related to employee benefits when they are due. Any contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

(q) Provisions

Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and a reliable estimate can be made at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2008

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The most critical estimates and judgements made by the Company are those regarding reported and unreported losses, defined benefit pension obligations and deferred tax.

Claims Outstanding

The Company establishes reserves in respect of the anticipated losses incurred in respect of the business it has written. The estimation of claims incurred but not reported ("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 claims event is generally available. Claims IBNR may often not be apparent to the insured until many years after the events giving rise to the claims have 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 assume 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 the Company's 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; and
- the impact of large losses.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these 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 distorting 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.

For further details on claims reserving, see Note 25.

Defined benefit pension obligations

The Group and Company's liability for defined benefit pension obligations is based on various estimates including discount rates, expected returns on plan assets, future salary increases, future pension increases, mortality rates and future staff turnover. Differences in future actual experience may result in the liability recorded in the Balance Sheet proving to be either too high or too low.

For further details on defined benefit pension obligations, see Note 26.

Notes to the Financial Statements

For the year ended 31 December 2008

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Deferred tax

The Company has substantial unutilised tax losses which can be carried forward to offset income tax liabilities arising on any future taxable profits. The Company has to judge the extent to which future taxable profits will arise such that any deferred tax asset is based on profits that are more likely to arise than not. The Company takes account of its budgets and forecasts in establishing the likelihood of recoverability of the unutilised tax losses.

Another significant timing difference relates to the defined benefit pension scheme deficit. A deferred tax asset is recognised to the extent of contributions the Company anticipates making during the period of likely future profitability.

For further details on deferred tax, see Note 16.

3. RISK MANAGEMENT

The Group's primary activity, the acceptance of risk of loss from individuals or businesses, exposes it to a number of risks which may adversely affect the Group's ability to meet its business objectives. The most directly relevant risk is insurance risk. However the Group is also exposed to financial risk through its financial assets, insurance receivables and reinsurance assets that enable it to fund obligations arising from its insurance contracts as they fall due. The most important components of financial risk are market risk, liquidity risk and credit risk.

In response to the risks the Group faces, the Group has implemented a risk framework which is designed to identify, assess and manage risk within an agreed risk appetite rather than to eliminate it. Accordingly the Group has implemented a range of internal controls within its operations to mitigate risk. Operational risk is the risk that such controls fail or are inadequate or are absent. The risk framework includes an event notification procedure which enables focus on preventing a similar incident occurring in addition to managing the impact of the event, thereby ensuring a proactive control environment. The process is overseen by a Risk Committee and enforced by an Audit Committee.

(a) Insurance risk

The Group assumes insurance risk by issuing contracts of insurance under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks the Group faces are:

- (1) under-pricing of a risk;
- (2) acceptance of risk that is not intended, by virtue of either size or nature or both; and
- (3) under-reserving of a loss not only because of factors arising from (1) and (2) but also because of inadequate reserving or risk recording techniques.

To assist with the process of pricing and managing the insurance risk that the Group accepts, the Group routinely performs a wide range of activities including the following:

- regularly updating the Group's risk models;
- documenting, monitoring and reporting on the Group's strategy to manage risk;
- developing systems that facilitate the identification of emerging issues promptly;
- developing processes that factor market intelligence in to the pricing process; and
- utilising the Group's management information systems to make pricing adjustments in accordance with emerging claims experience.

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual level of experience and competence. Regular meetings are held between the senior underwriting managers, the Managing Director and the actuaries to monitor pricing issues. Underwriting limits are in place to enforce appropriate risks selection criteria and to ensure that risks are as diversified as possible and that terms and conditions, including premium rates, appropriately reflect the risk.

One tool for managing insurance risk is reinsurance. Reinsurance is purchased to limit the loss the Group may incur from a single insured event. The limit varies according to the line of business. Reinsurance is also purchased to limit losses that might arise on catastrophic events, where the Group is exposed to many individual losses arising from the same insured event, such as a flood or windstorm.

The Group's internal audit function, which is wholly independent of the underwriting function, performs reviews throughout the Group to verify that underwriting teams are in compliance with the Board's policies and required procedures.

The Group faces a risk that it may under-reserve the losses it incurs. That is, the actual claim payments may exceed the projected amount of the insurance liabilities. This might occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using actuarial techniques. The frequency and severity of claims can be affected by several factors such as inflation, legal rulings, weather events and measurement of damages. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling procedures.

The Group is exposed to high severity, low frequency events, such as natural disaster. They represent a significant risk because the occurrence of an event, whilst unlikely in any given accounting period, would have a significantly adverse effect on the Group's cash flow. These risks are managed in two ways. First underwriters are not permitted to underwrite such risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance, as described above.

The Group may also be exposed to an insurance risk by virtue of a concentration of contracts issued, for example, to a particular demographic type of policyholder, within a particular geographical location or to particular types of commercial activity and businesses. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. This improves the accuracy of reserving techniques. The Group has developed its underwriting strategy to diversify the type of insurance risk accepted where possible. Nonetheless the Group may choose to focus on types of insurance it feels it can manage well and accordingly a concentration of risk can exist within individual segments of the portfolio. The Group's reserves are calculated by an experienced in-house team of actuaries who take in to account these factors. The amounts reserved are subject to frequent peer reviews.

The main types of risk insured by the Group are as follows:

- Motor - consisting of property and liability covers;
- Property – covering claims for damage to buildings or contents plus losses from business interruption for commercial policyholders;
- Liability – offering compensation to employees and members of the public suffering injury and for property damage; and
- Private medical insurance – covering claims from individuals or employers for certain types of medical costs.

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

Motor claims are analysed separately for non-injury and third party injury claims. Because of their shorter time to settlement, non-injury claims can be estimated with greater reliability and the Group estimates these claims separately for private car, fleet, motorcycles and commercial vehicles. By their nature injury claims are more volatile and harder to estimate. This is because it can take a long time for the medical effect of the injuries to become known and the larger size of each claim makes the final result more susceptible to an individual loss.

The Group projects separately for small and large injury claims and most of the IBNR liability in respect of motor insurance relates to third party injury claims. Allowance has been made within case reserves for the potential of large injury claims to be settled via periodic payments.

Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses / catastrophes is analysed separately. Non-subsidence claims can be estimated with greater reliability and the Group estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims and relatively little IBNR is held at year-end. However the longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain for these claims. Virtually all the IBNR liability for household insurance contracts relates to subsidence claims. Costs of rebuilding properties, of replacement or indemnity for contents and of time taken to restart operations for business interruption are the key factors that influence claims under these policies.

Liability and contingency claims, which include both employers' liability and general liability, are longer tail than the other classes of business and a larger element of the claims provisions relates to IBNR. Claims estimates are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience. The initial estimate of the loss ratio, based upon the experience of previous years, adjusted for factors such as premium rate charges 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. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is made for this at the balance sheet date.

Private medical insurance business is short tail so that most of the IBNR relates to current year business. IBNR is calculated using projections of payment patterns based on monthly date of payment by treatment date.

(b) Market risk

Market risk can be described as the risk of change in the fair value of a financial instrument due to changes in interest rates and market prices, whether specific to the individual instrument or its issuer, or to factors affecting all instruments traded in the market.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of change in interest rates. Fixed income securities represent a significant proportion of the Group's and Company's assets and the Executive Committee regularly monitors investment strategy to minimise the risk of a fall in the portfolio's market value which could affect the amount of business that the Group is able to underwrite or its ability to settle claims as they fall due. The market value of fixed interest securities is inversely correlated to movements in interest rates. That is, the market value of fixed interest securities rises if interest rates fall.

Insurance contract liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing.

The Group has not utilised any borrowing facilities during the year.

Market price risk is the risk that the fair value of Group and Company's financial instruments fluctuate as a result of changes in market prices, principally in equity securities. The Group and Company's exposure to equity price risk limited to a relatively small proportion of the investment portfolio and the risk is managed by diversifying over a number of companies and industries.

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. The Group is exposed to liquidity risks arising from daily calls on its cash reserves, notably from claims arising on its insurance contracts. The Group manages this risk by setting limits on the minimum level of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims at unusually high levels.

The vast majority of the Group's and Company's investments are in highly liquid assets which could be converted in to cash in a reasonably prompt fashion and at minimal expense. The deposits with credit institutions largely comprise instant access or short dated certificates for which an active market exists and which the Group can access easily. The Group and Company's exposure to equities is concentrated on shares that are frequently traded on the UK stock exchange. The Group and Company's exposure to fixed income securities is concentrated on high quality and frequently traded securities listed on the UK and other international stock exchanges. In order to maximise its investment return, the Group purchases fixed income securities with varying maturity dates. Notwithstanding the regular interest receipts and the Group and Company's ability to liquidate these securities for cash in a prompt and reasonable manner, the maturity profile of these securities is as follows:

	Group and Company	
	31 December	31 December
	2008	2007
	£000	£000
Less than one year	136,315	9,209
Between one and two years	189,961	296,243
Between three and five years	216,739	219,580
Total fixed income securities	543,015	525,032

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

Insurance and other receivables comprise premium balances due from policyholders and intermediaries, amounts recoverable from reinsurers in respect of paid claims, other recoverable amounts in respect of salvage and subrogation, loans made by the Group and Company and amounts receivable in respect of investment income. There are no significant amounts which are due to the Group and Company more than one year after the balance sheet date.

Reinsurance assets comprise reinsurers' share of gross insurance contract provisions. This includes reinsurers' share of claims outstanding, a significant element of which will not be recoverable within one year of the balance sheet date. The estimated periods in which these amounts will fall due are as follows :

	Group and Company	
	31 December	31 December
	2008	2007
	£000	£000
Within one year	18,239	19,485
Between one and two years	20,368	25,040
Between three and five years	6,740	11,865
Over five years	18,966	23,533
Total reinsurers' share of claims outstanding	64,313	79,923
Reinsurers' share of unearned premiums	1,575	2,429
Total reinsurance assets	65,888	82,352

There are no significant amounts of insurance payables or reinsurance payables that will fall due for payment by the Group and Company other than within one year. Insurance contract provisions include provisions for claims outstanding, a significant element of which will become payable after more than a year. The estimated periods in which these amounts will fall due are as follows:

	Group and Company	
	31 December	31 December
	2008	2007
	£000	£000
Within one year	180,343	184,232
Between one and two years	157,578	160,177
Between three and five years	54,147	60,174
Over five years	49,947	49,489
Total claims outstanding	442,015	454,072
Unearned premiums and other provisions	202,446	190,587
Total insurance contract provisions	644,461	644,659

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

(d) Credit risk

Credit risk is the risk that a counterparty will not be able to pay amounts in full when due in accordance with the terms of the contract, causing the Group and Company to incur a financial loss. The Group and Company is exposed to credit risk in the following significant areas:

- amounts due from reinsurers;
- amounts due from policyholders and intermediaries; and
- amounts due from issuers of fixed interest securities.

Groupama S.A., the ultimate parent company, operates a Reinsurance Security Committee which assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. Acceptable reinsurance counterparties are communicated by Groupama S.A. to all global operations. Acting within these guidelines, the Group and Company applies its own assessments of reinsurers prior to the finalisation of any contract. The Standard & Poor's ratings of reinsurers are regularly monitored by the Company's Board.

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there is significant exposure, a financial analysis of the policyholder or, if appropriate the intermediary, is carried out.

The Company's investment guidelines specify the maximum percentage of the portfolio that can be invested in any single counterparty and the minimum credit rating that can be utilised. These guidelines and the extent to which the Company and its investment managers apply them is overseen by the Company's Performance Committee.

An analysis of the Group's and Company's exposure to counterparty credit risk based upon Standard & Poor's or equivalent rating is as follows:

	AAA	AA	A	BBB	Equities	Not rated	Total
Group and Company							
As at 31 December 2008							
Financial assets	16.0%	51.6%	28.6%	1.8%	2.0%	-	100%
Reinsurance assets	20.7%	33.5%	21.3%	-	-	24.5%	100%
As at 31 December 2007							
Financial assets	17.8%	55.2%	22.0%	1.8%	3.2%	-	100%
Reinsurance assets	17.4%	25.8%	41.8%	-	-	15.0%	100%

Notes to the Financial Statements

For the year ended 31 December 2008

3. RISK MANAGEMENT (continued)

The following table shows the amount of insurance receivables that were past due but not impaired at the end of the year:

	31 December 2008 £000	31 December 2007 £000
0-3 months past due	5,265	6,014
4-6 months past due	27	3
7-12 months past due	15	2
More than 12 months past due	32	22
Total insurance receivables past due	5,339	6,041
Insurance receivables not past due	81,211	98,822
Total insurance receivables	86,550	104,863

(e) Capital risk

The total amount of capital of the Group is £142,295,000 (2007: £135,750,000). The Executive Directors are responsible for reviewing the amount of and structure of capital on a regular basis to maximise the return to shareholders.

The Company is regulated by the Financial Services Authority ('FSA') which requires the submission of an annual Enhanced Capital requirements return ('ECR') which is a test of capital adequacy. The ECR, which takes into account the premiums written and insurance contract provisions on a class of business basis, seeks to ensure that the Company has at least the minimum amount of capital to meet future expected claims obligations.

In addition the Company prepares an individual capital assessment ('ICA'). The ICA is a combination of a structured risk based capital model and scenario testing developed by the Company which allows the Directors to identify the appropriate level of capital required. The ICA differs from the ECR in that it is specific to the actual reserving history, reinsurance programme and business profile of the Company rather than being based on similar company market averages.

All externally imposed capital requirements have been complied with during the year. The Group is fully aware of current proposals for Solvency II and is participating in and monitoring the consultation process which is taking place prior to agreement of exact requirements. More specifically, a committee chaired by the Finance Director has been established to manage the impact of Solvency II on the Company.

4. SEGMENTAL INFORMATION

During 2008 and 2007 the Group's insurance activities were managed as a single strategic business unit offering varying products and serving different categories of insurance. The Group's activities are principally derived from insurance contracts issued to policyholders resident in United Kingdom. Accordingly no segmental information is presented.

Notes to the Financial Statements

For the year ended 31 December 2008

5. INVESTMENT INCOME

	31 December 2008 £000	31 December 2007 £000
Investment income		
Interest income from fixed interest securities	29,822	28,213
Dividend income	658	532
Other interest income	2,362	3,423
Net realised losses from sale of financial assets	(172)	(2,603)
Amortisation credits (charges) on fixed interest securities	83	(88)
Impairment of financial assets	(2,803)	-
Investment expenses and charges	(543)	(554)
Total investment income accounted for through the Income Statement	29,407	28,923
Net movement in fair value of financial assets accounted for through equity	(5,004)	961
Total investment return	24,403	29,884

6. OTHER INCOME

	31 December 2008 £000	31 December 2007 £000
Commission income received	-	293
Exchange movements	172	478
Other income	60	302
Total other income	232	1,073

Notes to the Financial Statements

For the year ended 31 December 2008

7. CLAIMS INCURRED, NET OF REINSURANCE

	31 December 2008 £000	31 December 2007 £000
Current accident year :		
Claims paid	135,054	131,260
Provisions for claims outstanding carried forward	158,531	148,827
Over provision in respect of prior years' provision for claims outstanding	(29,684)	(42,824)
Claims handling costs	13,548	13,459
Change in provision for claims handling costs	(159)	577
Total claims incurred net of reinsurance	277,290	251,299

8. ACQUISITION COSTS

	31 December 2008 £000	31 December 2007 £000
Commission expenses payable	93,279	89,324
Other acquisition expenses payable	12,254	12,406
Change in deferred acquisition costs	(6,357)	(3,904)
Total acquisition costs	99,176	97,826

Notes to the Financial Statements

For the year ended 31 December 2008

9. ADMINISTRATIVE EXPENSES

	31 December 2008 £000	31 December 2007 £000
Staff costs	33,546	36,798
Premises costs	5,623	5,872
Other expenses	14,198	9,731
Total management fee	53,367	52,401
Management fee allocated to claims handling expenses (see Note 7)	(13,548)	(13,459)
Management fee allocated to acquisition expenses (see Note 8)	(12,254)	(12,406)
Total administrative expenses	27,565	26,536

Fees payable to the Group's auditors for the audit of the annual accounts amounted to £214,000 (2007: £215,000).

All costs of employment, premises and other operating activities incurred by the Group during the year were borne by Groupama UK Services Limited ('GUKS'), a fellow subsidiary undertaking. GUKS charged the Group a management fee in respect of these costs.

10. OTHER CHARGES

	31 December 2008 £000	31 December 2007 £000
Employee benefits (Note 26)	350	-
Amortisation of intangibles	134	151
Impairment of Goodwill (Note 12)	-	2,780
Other items	99	-
Total other charges	583	2,931

Notes to the Financial Statements

For the year ended 31 December 2008

11. TAXATION

At the balance sheet date, the Group and Company believes that it is more likely than not to make taxable profits in the future and has accordingly recognised as a deferred tax asset some of the unutilised tax losses at the balance sheet date which will reverse in future accounting periods. The Group and Company have also had regard for the likelihood of generating future profits to offset contributions paid to its defined benefit scheme. A deferred tax asset is recognised only to the extent such profits are considered more likely than not to arise, in a manner consistent with the unutilised tax losses above.

	31 December 2008 £000	31 December 2007 £000
Current tax charge (see below)	-	-
Group relief for losses surrendered to fellow group companies	878	-
Net deferred tax charge relating to the origination and reversal of temporary differences	(878)	-
Total tax credit accounted for in the Income Statement	-	-
	£000	£000
Reconciliation of current tax charge with accounting profit multiplied by the applicable tax rate		
Profit before tax	18,464	23,042
Income tax using standard rate of corporation tax of 28.5% (2007: 30%)	5,262	6,913
Permanent differences	(12,833)	2,220
Group relief surrender	2,507	-
Short term timing differences	(468)	10
Unutilised (utilisation of) tax losses	5,532	(9,143)
Current tax charge	-	-
	%	%
Reconciliation of the effective tax rate with the applicable tax rate		
Applicable tax rate	28.5	30.0
Permanent differences	(69.5)	9.6
Group relief surrender	13.5	-
Short term timing differences	(2.5)	-
Unutilised (utilisation of) tax losses	30.0	(39.6)
Effective tax rate	-	-
	£000	£000
Unutilised tax losses		
Unutilised tax losses at 1 January	248,269	258,154
Adjustment in respect of prior years	(27,022)	20,589
Tax losses not utilised (utilised) in current year	19,416	(30,474)
Unutilised tax losses at 31 December	240,663	248,269
Full deferred tax asset in respect of unutilised tax losses	67,386	69,641
Full deferred tax asset in respect of defined benefit pension scheme	8,866	10,977
Deferred tax asset recognised before offset of deferred tax liabilities (Note 16)	(24,088)	(24,717)
Unrecognised deferred tax asset	52,164	55,901

Notes to the Financial Statements

For the year ended 31 December 2008

12. INTANGIBLE ASSETS

Goodwill arose on the acquisition of a business prior to 2007. During 2007 the Directors carried out an impairment test of the goodwill and concluded that goodwill should be impaired in full. Consequently, the net carrying value of goodwill at the end of 2007 was nil and the impairment charged to the Income Statement in 2007 was £2,780,000. An intangible asset, representing customer contract relationships arose from the same acquisition.

	Customer Contract Relationships £000
Group and Company	
<u>Cost</u>	
At 1 January 2008 and 31 December 2008	1,339
<u>Amortisation</u>	
At 1 January 2008	268
Amortisation charge for the year	134
At 31 December 2008	402
Carrying value at 1 January 2008	1,071
Carrying value at 31 December 2008	937

13. INVESTMENTS IN ASSOCIATES

	31 December 2008 £000	31 December 2007 £000
At 1 January	-	583
Disposal of associate undertaking	-	28
Transfer to Group undertakings	-	(603)
Share of (loss) profit after tax arising in the year	-	(8)
At 31 December	-	-

The Group's interest in associated undertakings comprised 50% of the issued share capital of The Halvor Partnership Limited ('Halvor') and 40% of Universal Group (UK) Limited, both acquired through Touchline Services Limited ('Touchline'). The Halvor Partnership Limited owns the entire issued share capital of Insured Risks Limited. Both Universal Group (UK) Limited and Insured Risks Limited trade as intermediaries for general insurance business. All companies are incorporated in the United Kingdom.

Touchline acquired the remaining issued share capital of Halvor on 2 April 2007. Accordingly Halvor was no longer accounted for as an associated undertaking. On 21 December 2007, the Group disposed of its investment in Touchline and accordingly its investment in Universal Group (UK) Limited.

Notes to the Financial Statements

For the year ended 31 December 2008

14. INVESTMENTS IN GROUP UNDERTAKINGS

	2008 £000	2007 £000
At 1 January	2,000	3,606
Disposal of group undertakings	-	(1,606)
At 31 December	2,000	2,000

Investments in Group undertakings, all of which are consolidated, are as follows :

Clinicare Limited	Insurance Company (deauthorised)
The National Motor and Accident Insurance Union Limited	Insurance Company
Groupama Limited	Service Company

All subsidiary undertakings are 100% owned by Groupama Insurance Company Limited. All subsidiary undertakings are registered in England. The issued share capital of each company is exclusively in the form of ordinary shares.

15. FINANCIAL ASSETS

	Fair Value 31 December 2008 £000	Cost 31 December 2008 £000	Fair Value 31 December 2007 £000	Cost 31 December 2007 £000
Group and Company				
Shares and other variable yield securities	11,604	1,457	17,382	15,390
Fixed income securities	543,015	551,278	525,032	531,718
Other loans	3,737	3,737	60	60
Total financial assets	558,356	556,472	542,474	547,168

Included in the above were investments:

Listed on the UK Stock Exchange	189,838	190,270	143,935	143,828
Listed on other investment exchanges	364,781	375,365	398,479	403,280

	Group and Company	
	2008 £000	2007 £000
Financial assets at 1 January	542,474	547,067
Net increases (reductions) to investment portfolio	20,803	(5,466)
Amortisation of fixed interest securities	83	(88)
Net fair value (losses) of fixed interest securities	(5,004)	961
Financial assets at 31 December	558,356	542,474

Notes to the Financial Statements

For the year ended 31 December 2008

16. DEFERRED TAX ASSETS

	Group and Company	
	31 December	31 December
	2008	2007
	£000	£000
Deferred tax asset (liability) in respect of :		
reversal of unutilised tax losses against future accounting profits	18,863	20,556
contributions payable to deferred pension scheme	5,225	4,161
total deferred tax asset	24,088	24,717
claims equalisation reserve allowed for tax purposes	(3,680)	(3,431)
Total net deferred tax asset	20,408	21,286

As explained in Note 11, a deferred tax asset is recognised only to the extent that the Group and Company believes it is more likely than not that taxable profits will be made in the future. Note 11 discloses the unrecognised deferred tax asset.

17. DEFERRED ACQUISITION COSTS

	Group and Company	
	2008	2007
	£000	£000
At 1 January	40,870	36,966
Change in costs deferred (Note 8)	6,357	3,904
At 31 December	47,227	40,870

18. REINSURANCE ASSETS

	Group and Company	
	31 December	31 December
	2008	2007
	£000	£000
Reinsurers' share of :		
unearned premium reserve	1,575	2,429
claims outstanding	65,647	81,274
Provision for non-recovery and impairment	(1,334)	(1,351)
Total reinsurance assets	65,888	82,352

The amounts expected to be recovered within one year and after one year are shown in Note 3.

Notes to the Financial Statements

For the year ended 31 December 2008

19. INSURANCE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2008 £000	31 December 2007 £000	31 December 2008 £000	31 December 2007 £000
Receivable arising from insurance contracts :				
policyholders	20,263	18,908	20,263	18,908
agents, brokers and intermediaries	51,046	64,278	51,046	64,278
reinsurers	5,683	11,625	5,683	11,625
provision for non recovery and impairment	(2,426)	(3,724)	(2,426)	(3,724)
subrogation and salvage recoveries	8,966	10,000	8,966	10,000
claims floats and related balances	3,018	3,776	3,018	3,776
Amount due from group undertakings and				
fellow subsidiary undertakings	423	423	423	423
Corporation Tax	878	-	878	-
Accrued interest	13,717	11,900	13,717	11,899
Total insurance and other receivables	101,568	117,186	101,568	117,185

There are no material receivables which are expected to be received after one year.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2008 £000	31 December 2007 £000	31 December 2008 £000	31 December 2007 £000
Bank and cash balances	3,894	526	3,894	526
Short term deposits	62,910	72,458	60,343	70,008
Total cash and cash equivalents	66,804	72,984	64,237	70,534

21. CALLED UP SHARE CAPITAL

	31 December 2008 £000	31 December 2007 £000
<i>Authorised</i>		
211,737,954 (2007: 241,737,954) ordinary shares of £1 each	211,738	241,738
<i>Allotted and fully paid</i>		
118,064,309 (2007: 118,064,309) ordinary shares of £1 each	118,064	118,064

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For the year ended 31 December 2008

22. SHAREHOLDERS' FUNDS

	Share Capital £000	Retained earnings £000	Total £000
Group			
Balance at 1 January 2007	118,064	11,003	129,067
Profit for the year	-	23,042	23,042
Other movements	-	(6,359)	(6,359)
Equity dividends	-	(10,000)	(10,000)
Balance at 31 December 2007	118,064	17,686	135,750
Profit for the year	-	18,464	18,464
Other movements	-	(1,919)	(1,919)
Equity dividends	-	(10,000)	(10,000)
Balance at 31 December 2008	118,064	24,231	142,295
Company			
Balance at 1 January 2007	118,064	10,698	128,762
Profit for the year	-	22,896	22,896
Other movements	-	(6,359)	(6,359)
Equity dividends	-	(10,000)	(10,000)
Balance at 31 December 2007	118,064	17,235	135,299
Profit for the year	-	18,348	18,348
Other movements	-	(1,919)	(1,919)
Equity dividends	-	(10,000)	(10,000)
Balance at 31 December 2008	118,064	23,664	141,728

23. EQUITY DIVIDENDS

	31 December 2008 £000	31 December 2007 £000
Interim dividend paid - 8.5p per ordinary share (2007 : 8.5p)	10,000	10,000

Notes to the Financial Statements

For the year ended 31 December 2008

24. PROVISIONS FOR OTHER RISKS AND CHARGES

	Premises lease £000
At 1 January 2008, Group and Company	415
Movement in provision	(75)
At 31 December 2008, Group and Company	340

The Company operates from premises under lease agreements. A provision has been made for lease commitments on premises no longer used by the Company in excess of anticipated income for sub-leasing agreements.

25. INSURANCE CONTRACT PROVISIONS

(a) Insurance contract provisions at the balance sheet date

	Group and Company		Group and Company	
	Gross	Net	Gross	Net
	31 December	31 December	31 December	31 December
	2008	2008	2007	2007
	£000	£000	£000	£000
Unearned premiums	201,675	200,100	189,544	187,115
Claims reported and claims handling expenses	328,699	274,218	315,922	255,048
Claims incurred but not reported	113,316	103,484	138,150	119,101
Other technical provisions - unexpired risk reserve	771	771	1,043	1,043
Total insurance contract provisions	644,461	578,573	644,659	562,307

The amounts expected to be earned and settled within and after one year are shown in Note 3.

Reinsurers' share of the above amounts are shown in Note 18.

Notes to the Financial Statements

For the year ended 31 December 2008

25. INSURANCE CONTRACT PROVISIONS (continued)

(b) Analysis of movements in unearned premium and earned premium

	Gross 2008 £000	Reinsurance 2008 £000	Net 2008 £000	Gross 2007 £000	Reinsurance 2007 £000	Net 2007 £000
Balance at 1 January	189,544	(2,429)	187,115	182,144	(4,638)	177,506
Balance at 31 December	201,675	(1,575)	200,100	189,544	(2,429)	187,115
Change in unearned premiums provisions	(12,131)	(854)	(12,985)	(7,400)	(2,209)	(9,609)
Written premiums	433,250	(27,098)	406,152	408,722	(28,054)	380,668
Earned premium	421,119	(27,952)	393,167	401,322	(30,263)	371,059

(c) Analysis of movements in claims provisions and claims incurred

	Gross 2008 £000	Reinsurance 2008 £000	Net 2008 £000	Gross 2007 £000	Reinsurance 2007 £000	Net 2007 £000
Balance at 1 January	454,072	(79,923)	374,149	454,093	(78,471)	375,622
Balance at 31 December	442,015	(64,313)	377,702	454,072	(79,923)	374,149
Change in claims provisions	(12,057)	15,610	3,553	(21)	(1,452)	(1,473)
Paid claims	273,457	(13,268)	260,189	248,586	(9,273)	239,313
Claims handling costs	13,548	-	13,548	13,459	-	13,459
Claims incurred	274,948	2,342	277,290	262,024	(10,725)	251,299

(d) Analysis of movements in other technical provisions : unexpired risk reserve

	Gross 2008 £000	Reinsurance 2008 £000	Net 2008 £000	Gross 2007 £000	Reinsurance 2007 £000	Net 2007 £000
Balance at 1 January	1,043	-	1,043	1,630	-	1,630
Balance at 31 December	771	-	771	1,043	-	1,043
Change in unexpired risk reserve	272	-	272	587	-	587

(e) Salvage and subrogation

Estimates of recoverables in respect of salvage and subrogation are shown in insurance and other receivables (see Note 19).

Notes to the Financial Statements

For the year ended 31 December 2008

25. INSURANCE CONTRACT PROVISIONS (continued)

(f) Assumption and sensitivities

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods most commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

The chain-ladder method involves the analysis of historical claims development factors and the selection of estimated development factors based upon this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet finally developed to produce an estimated ultimate claims cost for each accident year. Chain-ladder techniques are therefore most appropriate for mature classes of business that have a relatively stable development pattern. For lines of business which do not have developed claims histories, the Group's actuaries make reference to the Bornhuetter-Ferguson method.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimates and an estimate of claims experience. The former is based on a measure of exposures such as premium; the latter is based on the paid or incurred claims to date. The two estimates are combined to give a formula that gives more weight to the experience-based estimate as time passes.

In exceptional cases the required provision is calculated with reference to the actual exposures on individual policies.

The choice of selected results for each accident year of each class of business depends on assessment of the technique that has been most appropriate to observed historical developments. To the extent that these methods use historical claims development information, they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include :

- changes in processes that affect the recording of notified claims;
- economic, legal and social trends;
- changes in the mix of business; and
- large or isolated claims.

The best estimates derived by the Group's actuaries using the above assumptions are reviewed by the Executive. The Executive apply additional IBNR in order to ensure that the claims reserves accounted for achieve certain confidence levels; that is, a degree of probability (higher than is typically used for best estimates) that the Group will be adequately reserved should the run off of claims be adverse. Whilst the target confidence level may not be achieved at any one balance sheet date, the Executive accommodate the necessary adjustments over a future period of two or three years.

The impact of a 1% change in the claims loss ratio across the entire book would equate to a £4,211,000 (2007: £4,013,000) change in the reported result before tax.

Notes to the Financial Statements

For the year ended 31 December 2008

25. INSURANCE CONTRACT PROVISIONS (continued)

(g) Claims development tables

The tables below show the development of claims over a period of time on a gross and net of reinsurance basis. The tables show the cumulative incurred claims for each successive accident year at each balance sheet date, together with cumulative claims at the current balance sheet date.

	2003 £000	2004 £000	2005 £000	2006 £000	2007 £000	2008 £000	Total £000
Estimate of gross ultimate claims costs :							
at end of accident year	391,217	290,289	226,516	265,189	307,731	315,452	
one year later	391,600	259,489	224,368	277,104	310,489		
two years later	351,408	254,460	198,969	263,375			
three years later	354,393	244,134	189,355				
four years later	340,580	236,314					
five years later	333,119						
Current estimate of cumulative claims	333,119	236,314	189,355	263,375	310,489	315,452	1,648,104
Cumulative payments to date	(321,391)	(220,732)	(151,576)	(205,908)	(230,545)	(138,395)	(1,268,547)
Current gross claims provisions	11,728	15,582	37,779	57,467	79,944	177,057	379,557
Current claims provisions in respect of earlier accident years							50,190
Provision for claims handling costs							12,268
Total gross claims outstanding provisions							442,015
Estimate of net ultimate claims costs :							
at end of accident year	315,024	289,018	212,588	256,367	280,087	293,585	
one year later	307,074	256,462	202,783	259,727	301,635		
two years later	269,870	249,930	185,841	248,965			
three years later	265,207	243,503	180,555				
four years later	256,697	236,762					
five years later	241,870						
Current estimate of cumulative claims	241,870	236,762	180,555	248,965	301,635	293,585	1,503,372
Cumulative payments to date	(241,228)	(223,025)	(155,653)	(206,666)	(214,526)	(135,054)	(1,176,152)
Current net claims provisions	642	13,737	24,902	42,299	87,109	158,531	327,220
Current claims provisions in respect of earlier accident years							38,214
Provision for claims handling costs							12,268
Total net claims outstanding provisions							377,702

Notes to the Financial Statements

For the year ended 31 December 2008

26. EMPLOYEE BENEFITS

The Group operated a defined benefit scheme, the Groupama UK Pension Scheme ('GUPS'), on behalf of staff who were members before 1 July 2004. This is now closed to new members and future accrual. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations, using the projected unit method. The most recent formal valuation was at 31 December 2007. The formal valuation has been updated at subsequent balance sheet dates.

The main assumptions used by the actuary were :

	31 December 2008	31 December 2007	31 December 2006
Discount rate	6.40%	5.80%	5.30%
Expected return on plan assets at the end of the year	7.19%	6.80%	7.00%
Price inflation	3.00%	3.20%	3.00%
Pension increases	2.75%	2.95%	2.75%

The amount included in the Balance Sheet arising from the Group's obligations in respect of the scheme is as follows :

	31 December 2008 £000	31 December 2007 £000
Present value of funded defined benefit obligation	178,254	211,254
Fair value of scheme assets	(146,591)	(172,050)
Net pension obligations	31,663	39,204

The amounts recognised in the Income Statement are as follows:

	31 December 2008 £000	31 December 2007 £000
Interest on obligations	(12,039)	(10,240)
Expected return on plan assets	11,689	10,240
Expense recognised in the Income Statement	(350)	-

Notes to the Financial Statements

For the year ended 31 December 2008

26. EMPLOYEE BENEFITS (continued)

The amounts recognised in the Statement of Recognised Income and Expense are as follows:

	31 December 2008 £000	31 December 2007 £000
Actuarial gains (losses) on scheme liabilities	38,382	(5,866)
Actuarial losses on scheme assets	(35,297)	(1,454)
Income (expense) recognised in the Statement of Recognised Income and Expense	3,085	(7,320)

The cumulative amount recognised in the Statement of Recognised Income and Expense is a loss of £4,905,000 (2007: a loss of £7,990,000).

The allocation of the scheme's assets is as follows :

	31 December 2008 %	31 December 2008 £000	31 December 2007 %	31 December 2007 £000
Equities	49%	72,423	57%	97,676
Gilts and bonds	50%	73,219	41%	71,132
Other	1%	949	2%	3,242
	100%	146,591	100%	172,050

The actual return on the scheme's assets during the year was a loss of £23,608,000 (2007: a gain of £8,786,000).

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is based on inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long term gilts and bonds. The expected return on other assets is based on interest rates on cash deposits.

A reconciliation of the present value of the defined benefit obligation is as follows:

	31 December 2008 £000	31 December 2007 £000
Present value at 1 January	211,254	201,603
Interest cost	12,039	10,240
Actuarial (gains) losses on scheme liabilities	(38,382)	5,866
Benefits paid	(6,657)	(6,455)
Present value at 31 December	178,254	211,254

Notes to the Financial Statements

For the year ended 31 December 2008

26. EMPLOYEE BENEFITS (continued)

A reconciliation of the fair value of the scheme assets is as follows :

	31 December 2008 £000	31 December 2007 £000
Present value at 1 January	172,050	157,073
Expected return on scheme assets	11,689	10,240
Actuarial loss on scheme assets	(35,297)	(1,454)
Contributions by the Company	4,806	12,646
Benefits paid	(6,657)	(6,455)
Present value at 31 December	146,591	172,050

The Company's estimate of contributions to be paid to the scheme in 2009 is £5,400,000.

Reconciliation of Balance Sheet movements :

	31 December 2008 £000	31 December 2007 £000
Net liability at 1 January	39,204	44,530
Total expense	350	-
Amounts recognised in the Statement of Recognised Income and Expense	(3,085)	7,320
Contributions by the Company	(4,806)	(12,646)
Net liability at 31 December	31,663	39,204

A summary of the scheme's experience is as follows :

	31 December 2008 £000	31 December 2007 £000	31 December 2006 £000	31 December 2005 £000
Defined benefit obligation	(178,254)	(211,254)	(201,603)	(196,903)
Scheme assets	146,591	172,050	157,073	147,655
Deficit	(31,663)	(39,204)	(44,530)	(49,248)

	31 December 2008 £000	31 December 2007 £000
Experience gain (loss) on scheme liabilities	6,283	(5,866)
- percentage of the present value of the scheme liabilities	4%	3%
Difference between the expected and actual return on scheme assets	(35,297)	(1,454)
- percentage of the present value of the scheme assets	-24%	-1%

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For the year ended 31 December 2008

27. TRADE AND OTHER PAYABLES

	Group and Company	
	31 December 2008 £000	31 December 2007 £000
Reinsurance payables	6,567	3,948
Insurance payables	16,896	32,760
Amounts owed to fellow subsidiary undertakings	10,481	14,013
Other creditors	8,280	7,242
Total trade and other payables	42,224	57,963

All amounts are expected to fall due within one year.

28. RELATED PARTY TRANSACTIONS

Key management compensation

For the purposes of IAS24 ('Related Party Disclosures'), key managers are defined as the Board of Directors and members of the Executive Management committee.

	31 December 2008 £000	31 December 2007 £000
Salaries and other short term employee benefits	896	1,013
Post-employment benefits	147	289
Total key management compensation	1,043	1,302

The Directors are able to obtain discounted personal insurance at the same rates as all other staff.

In 2008, the highest paid Director received remuneration of £299,000 (2007: £305,000). The Group made contributions of £68,000 to a defined contributions pension scheme (2007 : £49,000). The number of Directors accruing pension benefits under defined contributions schemes is 4 (2007: 4).

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For the year ended 31 December 2008

28. RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties

In the ordinary course of business, the Group carries out transactions with related parties as defined in IAS24. A summary of the transactions is as follows:

	Income and (Expense) for year ended 31 December 2008 £000	Asset or (Liability) as at 31 December 2008 £000	Income and (Expense) for year ended 31 December 2007 £000	Asset or (Liability) as at 31 December 2007 £000
Fellow subsidiary undertaking in respect of management fees	(54,535)	(10,481)	(52,401)	(14,013)
Ultimate parent undertaking Reinsurance ceded	(6,946)	19,112	4,850	18,100
Balances with fellow subsidiary undertakings Groupama (UK) Limited	-	423	-	423

29. POST BALANCE SHEET EVENT

On 1 January 2009 the assets and liabilities of Groupama UK Services Limited ("GUKS") were acquired by the Company. GUKS has hitherto provided services to the Company and been the employer of most of the UK group's staff. Following the transfer of assets and liabilities, the operations of GUKS will be carried out by the Company. All employment contracts have been transferred to the Company with effect from 1 January 2009. As a result of the transfer, the Company takes on the commitments of GUKS at the balance sheet date, which are to purchase plant and equipment totalling £983,000.

30. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Groupama S.A. following the merger of Groupama International S.A. with Groupama S.A. on 31 December 2008. Both companies are incorporated in France. The Directors of the Company regard Groupama S.A. as the ultimate parent undertaking. Copies of the financial statements of Groupama S.A. can be obtained from the registered office of Groupama Insurance Company Limited as shown in the Directors' Report.