GICL 2013 LIMITED

(Formerly GROUPAMA INSURANCE COMPANY LIMITED)

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2013

Contents

Directors and Officers

Directors

F-X Boisseau

R L Sampson

A S Watson

Secretary

A S Hunter

Registered Office

6th Floor, One America Square, 17 Crosswall, London, EC3N 2LB

Registered Number

995253

Auditor

KPMG Audit Plc, 15 Canada Square, Canary Wharf, London E14 5GL

Strategic Report

Review of business

As explained in the 2012 Financial Statements, the entire issued share capital of GICL 2013 Limited ('the Company') was acquired by Ageas (UK) Limited ('AUK') in November 2012 In early 2013 the Directors commenced a project to transfer all the business of the Company and its subsidiary The National Motor and Accident Insurance Union Limited ('National Motor') to a fellow subsidiary of AUK, Ageas Insurance Limited ('AIL'), under Part VII of the Financial Services and Markets Act ('FSMA 2000') ('Part VII Scheme') The impact of the Part VII Scheme on the policyholders of the Company, National Motor and AIL was assessed by an Independent Expert, PWC, who concluded that the Part VII Scheme did not adversely impact any policyholder group The Part VII Scheme was undertaken in consultation with the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') The Company and National Motor accordingly submitted the Part VII Scheme to the High Court for approval The Courts approved the Part VII Scheme on 22 October 2013 (24 October 2013 in Jersey) with a legal effective date of 31 October 2013 For accounting purposes, the Part VII Scheme was transacted on 1 October 2013 The impact of the Part VII Scheme on the Income Statement and Statement of Financial Position is shown in Note 4

Following the Part VII Scheme, the Company and National Motor submitted applications to the PRA to be deauthorised as insurers As at the year end the applications were still being processed and the companies remain authorised and subject to PRA's normal solvency requirements GICL 2013 Limited and its subsidaries ('GICL') have retained sufficient assets (£3,250,000) to meet their base capital requirements (£3,146,000) At 31 December 2013, the admissable assets were restricted by virtue of counterparty limits to £2,694,000 giving rise to a technical breach of the solvency requirement by £452,000 This was rectified on 19 March 2014 and the admissable assets restored to £3,250,000

The insurance operations of GICL are assessed primarily by reference to the net technical result and investment return of its core operations Accordingly, the principal key performance indicators that the Directors and senior managers use are the combined operating ratio which was 98 5% (2012 99 6%) for the core operations and the investment yield which was 3 4% (2012 3 9%)

Until the date of the Part VII Scheme GICL was an insurance business with the primary activity of the evaluation and acceptance of risk As such GICL was exposed to a number of risks including market risk, credit risk, operational risk, insurance risk and capital risk The Board was responsible for GICL's systems of internal controls and for the review of control effectiveness The internal controls within GICL were designed to manage rather than eliminate risk and aimed to provide assurance that risks were managed to an agreed appetite GICL operated in a corporate governance structure which allocated responsibility for risk oversight to the relevant parts of the business and gave a more coherent governance framework The main oversight committees were the Audit Committee and the Risk Committee which together with various sub-committees gave the Board and Executive a comprehensive structure for managing risks The committees met regularly with clear terms of reference to provide an oversight of the risk and control environment and reports from these committees were ultimately provided to the Board Further information regarding risk management as it applied to GICL until the date of the Part VII Scheme is given in Note 3

Strategic direction

Following the Part VII Scheme, GICL has retained assets solely to meet its current solvency requirements The Directors intend to distribute a further dividend as soon as the PRA approves the Company and National Motor's deauthorisation following which the Company and National Motor may be dissolved

F-X Boisseau
Chief Executive Officer
24 March 2014

Directors' Report

The Directors of GICL 2013 Limited (previously Groupama Insurance Company Limited) present their Report and the audited Financial Statements of GICL for the year ended 31 December 2013

Results

The results of GICL are contained in the Accounts on pages 8 to 46 The profit before tax during 2013 was £18,313,000 (2012 £12,014,000)

Review of business

The review of business is now shown in a separate Strategic Report on page 3

Change of Company Name

On 12 November 2013 the Company changed its name from Groupama Insurance Company Limited to GICL 2013 Limited

Dividends and capital

On 22 July 2013, the Company reduced its issued share capital to 1,000,000 £1 ordinary shares

On 16 October 2013 a dividend of £20,000,000 was paid (2012 Nil) On 1 November 2013, following the Part VII Scheme, a further dividend of £156,714,457 was made to AUK The Directors intend that if the PRA accepts the deauthorisation application, a further dividend of the remaining retained earnings will be paid

As shown in Note 4, the dividend on 1 November 2013 was settled by the assignment to AUK of an asset due from AIL arising from the transfer of net assets to AIL under the Part VII Scheme

Donations

No political donations (2012 nil) were made during the year

Employee involvement

Employees are kept up to date about a wide range of Company developments through a programme of engagement activities, delivered through a variety of channels This includes formal Director briefings for all employees and communication by management on the Company's performance and strategy, as well as regular bulletins and employee newsletters In addition, informal discussions take place between senior management and the formal employee consultation bodies In 2013 Ageas ran its fifth UK-wide engagement survey and work was undertaken to embed the intranet launched in 2012 to further promote a two-way dialogue between employees and the organisation, and to connect people across different businesses

Simultaneously with the Part VII Scheme, all GICL employees were transferred to AIL under the auspices of the Transfer of Undertakings (Protection of Employment) legislation

Disabled persons

In line with the legislation relating to discrimination in employment, including the employment of people with disabilities, the Company's policy and procedures include our requirements and obligations and also form part of our management training In addition an e-learning module further embeds our approach to a diverse working environment which is made available to all employees Our approach to diversity is monitored regularly and is considered by the Board and the Ageas UK Remuneration Committee

Going Concern

As explained above, GICL's entire business has been transferred to AIL and an application for deauthorisation has been made, following which the remaining assets of GICL will be distributed to AUK The Directors intend to take steps to dissolve the Company and National Motor in 2014 Consequently the Financial Statements have not been prepared on a going concern basis

Directors' Report (continued)

Disclosure of information to auditors

So far as the Directors believe, there is no relevant information of which the Company's auditor is 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 auditor has been informed of that information

Directors

The present Directors of the Company are shown on the Company Information on page 2 The Directors have served throughout the year with the exception of

	Appointed	Resigned
A S Watson	8 February 2013	
L M R Matras		31 March 2013
B D Smith		31 March 2013
D L Callander		23 May 2013
J R M Harvey		1 November 2013
M N Urmston		1 November 2013
M Winlow		1 November 2013
A J Clarke	8 July 2013	1 November 2013
R J Smale	8 July 2013	1 November 2013

Indemnification of Directors

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

Auditors

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

By order of the Board

A S Hunter
Company Secretary
24 March 2014

6th Floor,
One America Square,
17 Crosswall,
London EC3N 2LB,
United Kingdom

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year Under that law the Directors have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and applicable law Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period In preparing each of the group and parent company financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether they have been prepared in accordance with International Financial Reporting Standards as adopted by the EU

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and the company and to prevent and detect fraud and other irregularities

Independent Auditor's Report

For the year ended 31 December 2013

Independent auditor's report to the members of GICL 2013 Limited

We have audited the Financial Statements of GICL 2013 Limited for the year ended 31 December 2013 set out on pages 8 to 46 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report or for the opinions we have formed

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on the Financial Statements

In our opinion

- the Financial Statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended,
- The Group's Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in the Directors' Report which explains that the Financial Statements are not prepared on the going concern basis for the reason set out in Note 1(b)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jonathan Bell (Senior statutory auditor)
For and on behalf of KPMG Audit plc, Statutory Auditor
Chartered Accountants and Statutory Auditors
24 March 2014

15 Canada Square
Canary Wharf
London, E14 5GL
United Kingdom

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	31 December 2013 £000	31 December 2012 £000
Income			
Gross premiums written			
Continuing business until date of Part VII Scheme	*25(b)*	252,236	376,278
Portfolio transfer premium	*25(b)*	(179,989)	-
		72,247	376,278
Change in gross unearned premiums	*25(b)*	196,274	31,525
Gross premiums earned	*25(b)*	268,521	407,803
Written premiums ceded to reinsurers	*25(b)*	(13,233)	(34,120)
Change in reinsurers' share of unearned premium	*25(b)*	(137)	(109)
Net premiums earned		255,151	373,574
Investment income	*5*	14,579	24,275
Other income	*6*	336	22,949
Total income		270,066	420,798
Expenses			
Claims incurred, net of reinsurance	*7,25(c)*	(165,869)	(267,855)
Acquisition costs	*8*	(72,600)	(101,814)
Administrative expenses	*9*	(14,213)	(37,927)
Change in other technical provisions	*25(d)*	953	(953)
Other charges		(1)	(185)
Operating profit		18,336	12,064
Finance costs	*12*	(23)	(50)
Profit before tax		18,313	12,014
Taxation	*13*	-	(31,804)
Profit (Loss) for the year		**18,313**	**(19,790)**

The impact on the results of the Part VII Scheme is shown in Note 4

The Notes on pages 13 to 46 form an integral part of these Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	31 December **2013** **£000**	31 December **2012** **£000**
Profit (Loss) for the year		18,313	(19,790)
Other comprehensive income net of tax			
Items that will never be reclassfied to profit or loss			
Actuarial losses on defined benefit pension scheme	*26*	-	(25,967)
Tax relating to actuarial losses		-	5,314
		-	(20,653)
Items that are or may be reclassified to profit or loss			
Change in fair value of financial assets available for sale	*5,16*	(10,273)	2,356
Tax relating to fair value (losses) gains		-	(577)
		(10,273)	1,779
Other comprehensive income for the year net of tax		(10,273)	(18,874)
Total comprehensive income for the year		8,040	(38,664)

The Notes on pages 13 to 46 form an integral part of these Financial Statements

Consolidated and Company Statements of Financial Position

As at 31 December 2013

	Notes	Group 31 December 2013 £000	Group 31 December 2012 £000	Company 31 December 2013 £000	Company 31 December 2012 £000
ASSETS					
Investments in group undertakings	14	-	-	2,000	2,000
Property, plant and equipment	15	-	4,689	-	4,689
Financial assets	16	-	583,810	-	583,810
Deferred tax asset	17	-	29,534	-	29,534
Deferred acquisition costs	18	-	49,862	-	49,862
Reinsurance assets	19	-	54,376	-	54,376
Insurance and other receivables	20	-	87,750	-	87,750
Cash and cash equivalents	21	3,250	29,460	615	26,822
Total assets		**3,250**	**839,481**	**2,615**	**838,843**
EQUITY					
Called up share capital	22	1,000	118,064	1,000	118,064
Retained earnings		2,250	53,860	1,615	53,222
Total equity		**3,250**	**171,924**	**2,615**	**171,286**
LIABILITIES					
Provisions for other risks and charges	24	-	8,858	-	8,858
Insurance contract provisions	25	-	623,127	-	623,127
Trade and other payables	27	-	22,934	-	22,934
Financial liabilities	28	-	489	-	489
Accruals and deferred income		-	12,149	-	12,149
Total liabilities		**-**	**667,557**	**-**	**667,557**
Total equity and liabilities		**3,250**	**839,481**	**2,615**	**838,843**

The Financial Statements on pages 8 to 46 were approved by the Board of Directors on 24 March 2014 and signed on its behalf by

F-X Boisseau
Chief Executive Officer

R L Sampson
Finance Director

The Notes on pages 13 to 46 form an integral part of these Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2012	118,064	92,524	210,588
Total comprehensive expense for the year	-	(38,664)	(38,664)
Equity dividends	-	-	-
Balance at 31 December 2012	118,064	53,860	171,924
Total comprehensive income for the year	-	8,040	8,040
Reduction in capital	(117,064)	117,064	-
Equity dividends	-	(176,714)	(176,714)
Balance at 31 December 2013	1,000	2,250	3,250

Company Statement of Changes in Equity

For the year ended 31 December 2013

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2012	118,064	91,902	209,966
Total comprehensive expense for the year	-	(38,680)	(38,680)
Equity dividends	-	-	-
Balance at 31 December 2012	118,064	53,222	171,286
Total comprehensive income for the year	-	8,043	8,043
Reduction in capital	(117,064)	117,064	-
Equity dividends	-	(176,714)	(176,714)
Balance at 31 December 2013	1,000	1,615	2,615

The Notes on pages 13 to 46 form an integral part of these Financial Statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	31 December 2013 £000	31 December 2012 £000
Profit before tax	18,313	12,014
Adjustments for		
Investment income per the Income Statement	(14,579)	(24,275)
Finance costs per the Income Statement	23	50
Employee benefits credited to the Income Statement	-	(20,721)
Amortisation, depreciation and impairment charges	1,070	1,397
Loss on disposal of intangible asset	-	535
Loss on disposal of property, plant and equipment	63	337
Operating profit (loss) before working capital changes	4,890	(30,663)
Change in deferred acquisition costs	3,627	4,172
Change in insurance contract provisions, net of reinsurance	(17,522)	(31,816)
Change in insurance and other receivables	(908)	21,368
Change in trade and other payables	(69)	(5,157)
Change in accruals and provisions	(3,990)	5,442
Cash flows used in operations	(18,862)	(5,991)
Investment income received net of expenses	16,942	30,763
Contributions to defined benefit pension scheme	-	(5,833)
Net cash flow from operating activities	2,970	(11,724)
Purchase of property, plant and equipment	(387)	(2,691)
Sale of financial assets	101,577	121,687
Purchase of financial assets	(82,479)	(93,690)
Net cash flow from investing activities	18,711	25,306
Dividends paid by settlement of cash	(20,000)	-
Net cash transferred under Part VII Scheme	(27,868)	-
Settlement of defined benefit pension scheme liability	-	(40,000)
Payments paid under finance leases	(23)	(50)
Net cash flow from financing activities	(47,891)	(40,050)
Cash and cash equivalents at 1 January	29,460	55,928
Net cash flow from operating activities	2,970	(11,724)
Net cash flow from investing activities	18,711	25,306
Net cash flow from financing activities	(47,891)	(40,050)
Cash and cash equivalents at 31 December	**3,250**	**29,460**

The Notes on pages 13 to 46 form an integral part of these Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2013

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 applicable for annual accounting periods commencing 1 January 2013, as endorsed by the European Union ('EU')

In accordance with IFRS 4 (Insurance Contracts), GICL 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)

There have been no new standards with a required application date occurring during 2013 which affect disclosures by GICL and the Company All new standards and interpretations released by the International Accounting Standards Board have been considered and ones that are or may be relevant are listed below

Except for the changes below, GICL has consistently applied the accounting policies set out in this Note to all periods presented in these consolidated financial statements

GICL has adopted the following new standards and amendments to existing standards

- IAS 1 (revised) 'Presentation of Financial Statements' applicable to accounting periods starting on or after 1 July 2012 The presentation of information disclosed in Other Comprehensive Income has changed
- IFRS 13 'Fair Value Measurement' applicable to accounting periods starting on or after 1 January 2013 IFRS 13 establishes a single framework for measuring fair value and disclosures thereafter The standard has had no impact on the measurement of GICL's assets and liabilities or on the disclosure
- IFRS 7 'Disclosures - offsetting financial assets and financial liabilities' applicable to accounting periods starting on or after 1 January 2013 The amendment to IFRS 7 has had no impact on the disclosures on GICL's Financial Statements

GICL has not applied the following standards and interpretations in advance of their application date (no impact unless stated)

- IAS 27 'Consolidated and Separate Financial Statements', applicable with effect from 1 January 2014, will have disclosure impact only,
- IAS 32 'Offsetting financial assets and financial liabilities, applicable 1 January 2014,
- IFRS 10 'Consolidated Financial Statements', applicable with effect from 1 January 2014

In addition, the following standard is in issue but has not yet been adopted by the EU Its impact on the Financial Statements has yet to be assessed

- IFRS 9 'Financial Instruments – Classification and measurement of financial assets'

(b) Basis of presentation

'GICL' comprises GICL 2013 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 Ageas (UK) Limited, whose ultimate parent company is Ageas SA/NV which produces consolidated accounts which are publicly available

The Company is taking advantage of the exemption in S408 of the Companies Act 2006 not to present its individual Statement of Consolidated Income and related notes that form part of a full set of Financial Statements The statement of compliance above is based upon the full Financial Statements, of which these published financial statements are an extract The profit dealt with in the accounts of the Company is £18,317,000 (2012 loss of £19,806,000)

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of presentation (continued)

Following the Part VII Scheme, the Company and National Motor have applied to be deauthorised following which the Directors intend to dissolve both companies in 2014 Accordingly, the Directors have concluded that the Financial Statements should not be prepared on a going concern basis The Directors have reviewed the assets and liabilities of GICL and the Company at the date of the statement of financial position and have concluded that no adjustments were necessary to the carrying value of those assets and liabilities as a result of this conclusion

(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

Subsidiaries are all entities over which GICL (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 GICL They are excluded from the consolidation on the date on which control ceases

(d) Classification of contracts

Contracts under which GICL accepted 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 GICL 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 GICL, less any allowance for cancellations The premium consideration paid as a result of a Part VII Scheme has been included within premiums written

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, GICL has recognised only the premium receivable from the intermediaries, which excludes any commission charged by the intermediaries to the policyholders

Premiums ceded to reinsurers are recognised as a deduction from gross premiums earned in accordance with the contractual arrangements with reinsurers

Notes to the Financial Statements

For the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 date of the statement of financial position, calculated on a time apportionment basis

(III) Acquisition costs

Acquisition costs, which represent commission and other related expenses, are capitalised and deferred and earned on the same basis as the related premiums

(IV) Liability adequacy test

At the date of each statement of financial position, liability adequacy tests are performed by each line of business 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 date of the statement of financial position, including the cost of claims incurred but not yet reported to GICL 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 GICL does not discount its liabilities for unpaid claims except for periodic payment orders GICL 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

GICL 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 GICL from its direct obligations to policyholders

The benefits to which GICL and the 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 date of the statement of financial position Such assets are deemed impaired if there is objective evidence as a result of an event that occurred after initial recognition, that GICL and the Company will not recover all amounts due and that the event has a reliably measurable impact on the amounts that GICL and the Company will receive from the reinsurer

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(VIII) Basis of accounting for Part VII Schemes

The Part VII Scheme from the Company and National Motor to AIL were two separate transactions, comprising the transfer of all in-force policies and all claims outstanding of GICL at the date of the transfer (1 October 2013 for accounting purposes) GICL transferred all its assets (save per those shown of the Statement of Financial Position) to AIL in consideration for AIL assuming responsibility for any claim arising on any of GICL's policies whenever occurring after the transfer date An amount equal to the unearned premium reserve has been accounted for as a premium paid deducted from gross written premiums An amount equal to the claims outstanding reserves has been accounted for within gross paid claims Equivalent amounts for reinsurance have been accounted for within reinsurance premiums and reinsurers' share of paid claims

The Part VII Scheme of business in 2012 from GICL to SimplyHealth Access ("SHA") was a single transaction, comprising the transfer of in-force policies and claims outstanding in respect of private medical business GICL paid an amount to SHA in consideration for SHA assuming responsibility for the claims arising on the in-force policies written by GICL and unexpired at the effective date of the transfer (unearned premium) until the expiry of those policies This has been accounted for within premiums written GICL paid an amount to SHA in consideration for SHA assuming responsibility for the claims notified and unpaid and claims incurred but not reported at the effective date of the transfer on policies written by GICL The amount paid has been accounted for within paid claims The consideration paid for the transfer of unearned premium and claims outstanding was in the form of assets and liabilities related to the operations of the transferred business

(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 (i) below

(g) Investment in Group undertaking

The Company recognises all investment in group undertaking at cost less provisions for impairment in value

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation Depreciation is calculated so as to write off the cost of such assets on a straight line basis over their useful economic life which are determined as follows

Fixture & fittings	4 to 5 years
Office equipment	4 to 5 years
Computer equipment	2 to 4 years
Motor vehicles	4 to 5 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount Gains and losses on disposal are included in the Income Statement

Notes to the Financial Statements

For the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets

GICL's and the Company's financial assets comprise fixed interest securities, deposits (to the extent they have a maturity date of more than 3 months from the date of placement) and loans GICL also invested in shares until March 2012 Financial assets are recognised when GICL 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 GICL

Shares and fixed interest securities are classified as "available for sale" and recorded at fair values which in all cases are quoted prices in an active market (Level 1) Movements in the fair value of these assets are recorded in the Statement of Comprehensive Income 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 GICL may incur on disposal The fair value of quoted investments is the quoted bid price at the date of the statement of financial position

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 the date of each statement of financial position GICL looks for the existence of objective presumptions of depreciation in its investments The criteria for impairment of shares was based on the significance of the fall in fair value taking into account the volatility of the financial markets during the accounting period Any impairment of shares recognised at either date could not be subsequently reversed through the Income Statement unless the shares were sold The criteria for impairment of other investments are based on the likelihood of bond issuers or counterparties defaulting on the repayment of principal Any impairment of these investments can be reversed through the Income Statement in a subsequent accounting period

(j) Cash and cash equivalents

GICL and the 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

(k) Impairment of assets

Impairment of reinsurance assets is outlined in (e) (VII) above, of financial assets in (i) above The carrying amount of GICL's and the Company's other assets are reviewed at the date of the statement of financial position to determine whether there is any indication of impairment An impairment loss is recognised to the extent by 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

Notes to the Financial Statements

For the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term All such leases are for properties occupied by GICL

Leases of plant and equipment where GICL has substantially all the risks and rewards of ownership are classified as finance leases Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding The corresponding rental obligations, net of finance charges, are included in financial liabilities The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period Plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term

(m) Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at date of the statement of financial position Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the transaction Gains and losses arising on translation are accounted for in the Income Statement

(n) 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 in the Statement of Comprehensive Income 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 in the Statement of Financial Position as applicable

Current tax is the expected tax payable or recoverable on the taxable profits or losses for the year, using tax rates enacted or substantially enacted at the date of the statement of financial position, and any adjustment to tax payable or recoverable in respect of previous years

Deferred tax is provided for 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 date of the statement of financial position 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 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

GICL and the Company operated defined contribution schemes until the date of the Part VII Scheme and, until 14 November 2012, a defined benefit pension scheme

A defined contribution scheme is a pension plan under which GICL pays fixed contributions to an independent entity In this case, GICL 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 Statement of Financial Position for the defined benefit pension scheme correspond to the discounted value of obligations linked to the defined benefit scheme at the date of the statement of financial position after deducting scheme assets

Actuarial gains and losses resulting from experience-based adjustments and modifications in actuarial assumptions are booked directly in the Statement of Comprehensive Income

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, GICL 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

(p) 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 date of the statement of financial position

(q) Financial liabilities

Financial liabilities are classified as current liabilities unless GICL has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position Finance costs are recognised as an expense in the period in which they are incurred Financial liabilities are recorded at cost being the fair value of the proceeds net of transaction costs

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

The most critical estimates and judgements made by GICL were those regarding reported and unreported claims, defined benefit pension obligations and deferred tax

Claims Outstanding

GICL established reserves in respect of the anticipated losses incurred in respect of the business it has written The reserves were split into two components - reserves relating to business that was yet to be earned (unexpired business) and reserves relating to business that had already been earned For business that had already been earned, an estimation of reserves for Claims Incurred but not reported ("IBNR") was required The estimation of IBNR was generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to GICL where more information about the claims event was generally available Claims IBNR may often not be apparent to the insured or insurer until many years after the events giving rise to the claims have happened Classes of business where the IBNR proportion of the total reserve was high would have typically displayed greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves Classes of business where claims were typically reported relatively quickly after the claim event tended to display lower levels of volatility In calculating the estimated cost of unpaid claims GICL used a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumed that the development pattern of current claims would have been consistent with past experience Allowance was made, however, for changes or uncertainties which may have created distortions in the underlying statistics or which might have caused the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including

- changes in the GICL'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 was usually the estimation of the cost of notified but not paid claims In estimating the cost of these GICL had 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 were 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 GICL adopted multiple techniques to estimate the required level of provisions This assisted in giving a greater understanding of the trends inherent in the data being projected The projections given by the various methodologies also assisted in setting the range of possible outcomes The most appropriate estimation technique was 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

Until 14 November 2012, GICL operated a defined benefit pension scheme GICL and the Company's liability for defined benefit pension obligations was based on various estimates including discount rates, expected returns on plan assets, future salary increases, future pension increases and mortality rates Differences in future actual experience could have resulted in the liability recorded in the Statement of Financial Position proving to be either too high or too low

For further details on defined benefit pension obligations, see Note 26 The final settlement of GICL's liability to the scheme in 2012 has removed any ongoing obligations for the Company

2. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Deferred tax

GICL had substantial unutilised tax losses which could be carried forward to offset income tax liabilities arising on future taxable profits GICL had to judge the extent to which future taxable profits would have arisen such that any deferred tax asset was based on profits that were more likely to arise than not At 31 December 2012 and in view of the plan to transfer the business of GICL to AIL under a Part VII Scheme, that judgement included taking account of future taxable profits of AIL GICL and AIL had taken account of budgets and forecasts in establishing the likelihood of recoverability of the unutilised tax losses As part of the changes to accounting estimates following its acquisition by AUK, GICL had adopted a more prudent view of the number of future years' profits to be incorporated in the recognition of the deferred tax asset

Another significant timing difference related to the defined benefit pension scheme deficit A deferred tax asset was recognised to the extent of contributions GICL anticipated making during the period of likely future profitability This aspect of the deferred tax asset has been eliminated with effect from 14 November 2012

For further details on deferred tax, see Notes 13 and 17

3. RISK MANAGEMENT

GICL's primary activity, the acceptance of risk of loss from individuals or businesses, exposed it to a number of risks which may have adversely affected GICL's ability to meet its business objectives The most directly relevant risk was insurance risk However GICL was also exposed to financial risk through its financial assets, insurance receivables and reinsurance assets that enabled it to fund obligations arising from its insurance contracts as they fell due The most important components of financial risk were market risk, liquidity risk and credit risk

In response to the risks GICL faced, GICL implemented a risk framework which was designed to identify, assess and manage risk within an agreed risk appetite rather than to eliminate it Accordingly GICL implemented a range of internal controls within its operations to mitigate risk Operational risk was the risk that such controls failed or were inadequate or were absent The risk framework included an event notification procedure which enabled focus on preventing a similar incident occurring in addition to managing the impact of the event, thereby ensuring a proactive control environment The process was overseen by the Risk Management Committee, delegated sub-committees and oversight provided by the Audit Committee

Following the transfer of GICL's entire business to AIL the risks described in the following paragraphs have been eliminated

(a) Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks GICL face were

(1) under-pricing of a risk,
(2) acceptance of risk that was 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

3. RISK MANAGEMENT (continued)

To assist with the process of pricing and managing the insurance risk that GICL accepted, GICL routinely performed a wide range of activities including the following

- regularly updating GICL's risk models,
- documenting, monitoring and reporting on GICL's strategy to manage risk,
- developing systems that facilitated the identification of emerging issues promptly,
- developing processes that factored market intelligence and tight risk acceptance criteria into the pricing process, and
- utilising GICL's management information systems to make pricing adjustments in accordance with emerging claims experience

All underwriting staff and binding agencies were set strict parameters in relation to the levels and types of business they underwrote, based on individual levels of experience and competence Regular meetings were held between the senior underwriting managers and the actuaries to monitor pricing issues, and a monthly report was submitted to the Executive Directors Underwriting limits were in place to enforce appropriate risk selection criteria and to ensure that risks were as diversified as possible and that terms and conditions, including premium rates, appropriately reflected the risk

One of the tools for managing insurance risk was reinsurance Reinsurance was purchased to limit the loss GICL may have incurred from a single insured event The limit varied according to the line of business and the type of event Reinsurance was also purchased to limit losses that might have arisen on catastrophic events, where GICL was exposed to many individual losses arising from the same insured event, such as a flood or windstorm

GICL's internal audit function, which was wholly independent of the underwriting function, performed reviews throughout GICL to verify that underwriting teams were in compliance with the Board's policies and required procedures

GICL faced a risk that it may have under-reserved the losses it incurred That is, the actual claim payments may have exceeded the projected amount of the insurance liabilities This might have occurred because the frequency or severity of claims was greater than estimated Insurance events are random and the actual number and amount of claims would have varied 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, the economic environment and measurement of damages GICL managed these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling procedures

GICL was exposed to high severity, low frequency events, such as natural disasters They represented a significant risk because the occurrence of an event, whilst unlikely in any given accounting period, would have a significantly adverse effect on GICL's cash flow These risks were managed in two ways First underwriters were not permitted to underwrite individual risks that exceeded specified limits unless the expected profits were commensurate with the risks assumed Secondly, the risk was managed through the use of reinsurance, as described above

GICL developed its underwriting strategy to diversify the type of insurance risk accepted where possible Nonetheless GICL chose to focus on types of insurance it felt it could manage well and accordingly a concentration of risk existed within individual segments of the portfolio GICL could have been 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 These risks were managed through the underwriting strategy and use of adequate reinsurance contracts From a reserving perspective, experience showed that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome would have been This improved the accuracy of reserving techniques

GICL's IBNR reserves were calculated by an experienced in-house team of actuaries who took into account these factors The amounts reserved were subject to peer reviews within the actuarial team and independent challenge from the Executive Reserving Committee

3. RISK MANAGEMENT (continued)

The main types of risk insured by GICL were 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

Motor claims were analysed separately for non-injury heads of damage and third party injury claims Because of their shorter time to settlement, non-injury claims were estimated with greater reliability and GICL estimated these claims separately for private car, fleet, motorcycles and commercial vehicles By their nature injury claims were more volatile and harder to estimate This is because it can take a long time for the liability apportionment to be assessed and the medical effect of the injuries to become known Some injury claims can be very large in size, making the final result for motor more susceptible to an impact from a small number of individual large losses

GICL projected 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 was made within case reserves for the potential of large injury claims to be settled via periodic payments

Where possible, property claims were analysed separately by head of damage (subsidence, flood, escape of water, other) The development of large losses and catastrophes were analysed separately Non-subsidence claims were estimated with greater reliability and GICL's estimation processes reflected all the factors that influence the amount and timing of cash flows from these contracts The shorter settlement period for these claims allowed GICL to achieve a higher degree of certainty about the estimated cost of claims and relatively little IBNR was held at the date of the statement of financial position However the longer time needed to assess the emergence of a subsidence claim made the estimation process more uncertain for these claims A significant proportion of the IBNR reserve for household insurance contracts related to subsidence claims Costs of rebuilding properties, of replacement or indemnity for contents and of time taken to restart operations for business interruption were key factors that influenced claims under these policies

Liability and contingency claims, which included both employers' liability and general liability, were longer tail than the other classes of business and a larger element of the claims provisions related to IBNR Claims estimates were 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, was an important assumption in this estimation technique In respect of liability claims, the assessment of claims inflation and anticipated market experience was 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 was also subject to the emergence of new types of latent claims but no specific allowance was made for this

(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 GICL considered that all of its fixed interest securities were quoted on investment exchanges that constituted an active market for those securities

3. RISK MANAGEMENT (continued)

Interest rate risk was the risk that the value of future cash flows of a financial instrument would have fluctuated because of change in interest rates Fixed income securities represented a significant proportion of GICL's and the Company's assets and the Executive Committee regularly monitored the investment strategy to minimise the risk of a fall in the portfolio's market value which could have affected the amount of business that GICL was able to underwrite or its ability to settle claims as they fell due The market value of fixed interest securities was inversely correlated to movements in interest rates That is, the market value of fixed interest securities rose if interest rates fell

Most insurance contract liabilities were not directly sensitive to the level of market interest rates as they were undiscounted and contractually non-interest bearing Periodic payment orders took account of likely increases in payments due to, for example, inflation, and were discounted using a rate of interest based on the same indexing factors

GICL has not utilised any borrowing facilities during the year

Market price risk was the risk that the fair value of GICL's and the Company's financial instruments fluctuated as a result of changes in market prices, principally in equity securities If market prices increased generally, it was likely that GICL's financial assets would have increased as well GICL and the Company's exposure to equity price risks was limited to a relatively small proportion of the investment portfolio and the risk was managed by diversifying over a number of companies and industries All equities were disposed of during 2012

(c) Liquidity risk

Liquidity risk was the risk that GICL, although solvent, either did not have available sufficient financial resources to enable it to meet its obligations as they fell due, or could have secured them only at excessive cost GICL was exposed to liquidity risks arising from daily calls on its cash reserves, notably from claims arising on its insurance contracts GICL managed 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 was in place to cover claims at unusually high levels

The vast majority of GICL's and the Company's investments were 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 comprised instant access or short dated certificates for which an active market existed and which GICL could access easily GICL and the Company's exposure to fixed income securities was concentrated on high quality and frequently traded securities listed on the UK and other international stock exchanges In order to maximise its investment return, GICL purchased fixed income securities with varying maturity dates Nevertheless regular interest receipts and GICL and the Company's ability to liquidate these securities for cash in a prompt and reasonable manner enabled GICL and Company to satisfactorily manage its liquidity risk

Insurance and other receivables comprised 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 GICL and Company and amounts receivable in respect of investment income There were no significant amounts which were due to GICL and Company for more than one year at any time

Reinsurance assets comprised reinsurers' share of gross insurance contract provisions This included reinsurers' share of claims outstanding, a significant element of which was not recoverable within one year of the date of the statement of financial position

There were no significant amounts of insurance payables or reinsurance payables that fell due for payment by GICL and Company other than within one year Insurance contract provisions included provisions for claims outstanding, a significant element of which would have been payable after more than a year

3. RISK MANAGEMENT (continued)

(d) Credit risk

Credit risk was the risk that a counterparty would not be able to pay amounts in full when due in accordance with the items of the contract, causing GICL and the Company to incur a financial loss GICL was 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

GICL assessed the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information, in conjunction with the views of its parent undertaking Acting within these guidelines, GICL applied its own assessments of reinsurers prior to the finalisation of any contract The Standard & Poor's ratings of reinsurers were regularly monitored by GICL's Board GICL's parent until 14 November 2012, Groupama S A , had a significant share of GICL's reinsurance programme for a number of years up to and including 2012 Reinsurance recoveries due from Groupama S A were backed by collateralised fixed income securities The collateral exceeded the value of Groupama's share of future reinsurance recoveries throughout 2013 GICL had fully replaced Groupama S A on its 2013 reinsurance programme, which was placed in conjunction with AIL

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

GICL's investment guidelines specified the maximum percentage of the portfolio that could be invested in any single counterparty and the minimum credit rating that could be utilised These guidelines and the extent to which GICL and its investment managers applied them was overseen by GICL's Finance Committee Ordinarily, the maximum exposure to a single counterparty GICL could have had in 2013 was £40m (2012 £40m)

None of the financial assets were pledged as collateral for financial liabilities

(e) Capital risk

The total amount of capital of GICL, comprising equity only, is £3,250,000 (2012 £171,924,000) The Executive Directors were responsible for reviewing the amount of and structure of capital on a regular basis to maximise the return to shareholders

GICL is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA The PRA required the submission of two measurements of capital adequacy, a minimum capital requirement ('MCR') and an enhanced capital requirement ('ECR') The MCR is based on a high level view of total premiums written and claims incurred The ECR takes into account the premiums written and insurance contract provisions on a class of business basis Both seek to ensure that GICL had at least the minimum amount of capital to meet future expected claims obligations Following the Part VII Scheme, GICL has retained sufficient assets to meet its base capital requirements The Company and National Motor have both applied to the PRA to be deauthorised

In addition the PRA prepares an individual capital guidance amount ('ICG') The ICG is based on an individual capital assessment (ICA) previously submitted by GICL The ICA is a combination of a structured risk based capital model and scenario testing developed by GICL which allowed the Directors to identify the appropriate level of capital required The ICG 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

Following the Part VII Scheme, GICL is required to meet a base capital requirement of £3,146,000 until it is deauthorised

All externally imposed capital requirements have been complied with during the year until the date of the Part VII Scheme Although cash of £3,250,000 was retained, due to counterparty limits admissable assets were restricted to £2,694,000 at 31 December 2013 giving rise to a technical deficit of £452,000 Full admissibility of £3,250,000 was restored on 19 March 2014

3. RISK MANAGEMENT (continued)

(f) Sensitivity to key business drivers

This is no longer relevant given the activity of GICL following the Part VII Scheme during 2013

4. SEGMENTAL INFORMATION

During 2013 and 2012, GICL's insurance activities were managed as a single strategic business unit offering varying products and serving different categories of insurance GICL's activities are principally derived from insurance contracts issued to policyholders resident in United Kingdom Accordingly no segmental information is presented

Impact of the Part VII Scheme in 2013

As described in the Strategic Report, GICL transferred its entire business to AIL The accounting effective date of the Part VII Scheme was 1 October 2013 The tables below and on page 27 show the impact of the Part VII Scheme on the Consolidated Income Statement and the assets and liabilities transferred to AIL

	9 months to 30 September 2013	Part VII Scheme	Total
Income	£000	£000	£000
Gross written premium	252,236	(179,989)	72,247
Change in gross unearned premiums	17,238	179,036	196,274
Gross premium earned	269,474	(953)	268,521
Written premiums ceded to reinsurers	(13,233)	-	(13,233)
Change in reinsurers' share of unearned premium	(137)	-	(137)
Net Premiums earned	256,104	(953)	255,151
Investment Income	14,579	-	14,579
Other income	336	-	336
Total income	271,019	(953)	270,066
Expenses			
Claims incurred, net of reinsurance	(165,869)	-	(165,869)
Acquisition costs	(72,600)	-	(72,600)
Administrative expenses	(14,213)	-	(14,213)
Change in other technical provisions	-	953	953
Other charges	(1)	-	(1)
Operating profit	18,336	-	18,336
Finance costs	(23)	-	(23)
Profit before tax	18,313	-	18,313
Taxation	-	-	-
Profit for the year	18,313	-	18,313

4. SEGMENTAL INFORMATION (continued)

	Statement of financial position as at 30 September 2013 £000	Part VII Scheme £000	Settlement of debt arising on Part VII scheme £000	Retained assets and liabilities £000
ASSETS				
Property, plant and equipment	3,943	(3,943)	-	-
Financial assets	549,274	(549,274)	-	-
Deferred tax asset	29,534	(29,534)	-	-
Deferred acquisition costs	46,235	(46,235)	-	-
Reinsurance assets	49,360	(49,360)	-	-
Insurance and other receivables	91,458	(91,458)	-	-
Debt arising on business transfer (Ageas)	-	159,964	(159,964)	-
Cash and cash equivalents	31,118	(31,118)	3,250	3,250
Total assets	**800,922**	**(640,958)**	**(156,714)**	**3,250**
EQUITY				
Called up share capital	1,000	-	-	1,000
Retained earnings	158,964	-	(156,714)	2,250
Total equity	**159,964**	**-**	**(156,714)**	**3,250**
LIABILITIES				
Provisions for other risks and charges	7,583	(7,583)	-	-
Insurance contract provisions	600,590	(600,590)	-	-
Trade and other payables	23,021	(23,021)	-	-
Financial liabilities	330	(330)	-	-
Accruals and deferred income	9,434	(9,434)	-	-
Total liabilities	**640,958**	**(640,958)**	**-**	**-**
Total equity and liabilities	**800,922**	**(640,958)**	**(156,714)**	**3,250**

Notes to the Financial Statements

For the year ended 31 December 2013

4. SEGMENTAL INFORMATION (continued)

Impact of significant transaction in 2012

As described in the 2012 Directors' Report, the acquisition of GICL by AUK resulted in a change to a number of accounting estimates The table below shows how the results of 2012 were impacted by these new assessments The table also shows the impact of the sale and Part VII Scheme of the private medical insurance business and of the settlement of the defined benefit pension scheme

	For year ended 31 December 2012				
	Core business £000	Pension scheme settlement £000	Changes in accounting estimates £000	Private medical business £000	Total £000
Income					
Gross premiums written	380,159	-	-	(3,881)	376,278
Change in gross unearned premiums	12,022	-	-	19,503	31,525
Gross premium earned	392,181	-	-	15,622	407,803
Written premiums ceded to reinsurers	(18,535)	-	-	(15,585)	(34,120)
Change in reinsurers' share of unearned premium	(109)	-	-	-	(109)
Net premiums earned	373,537	-	-	37	373,574
Investment income	24,275	-	-	-	24,275
Other income	2,228	20,721	-	-	22,949
Total income	400,040	20,721	-	37	420,798
Expenses					
Claims incurred, gross of reinsurance	(249,015)	-	(19,737)	(13,766)	(282,518)
Claims incurred, reinsurance	2,756	-	(1,091)	12,998	14,663
Claims incurred, net of reinsurance	(246,259)	-	(20,828)	(768)	(267,855)
Acquisition costs	(103,216)	-	-	(1,957)	(105,173)
Acquisition costs, reinsurance	-	-	-	3,359	3,359
Net acquisition costs	(103,216)	-	-	1,402	(101,814)
Administrative expenses	(25,479)	-	(10,909)	(1,539)	(37,927)
Change in other technical provisions	-	-	(953)	-	(953)
Other charges	(185)	-	-	-	(185)
Operating profit (loss)	**24,901**	**20,721**	**(32,690)**	**(868)**	**12,064**
Finance costs	(50)	-	-	-	(50)
Profit (Loss) before tax	**24,851**	**20,721**	**(32,690)**	**(868)**	**12,014**
Taxation	(8,982)	(4,754)	(18,068)	-	(31,804)
(Loss) Profit after tax	**15,869**	**15,967**	**(50,758)**	**(868)**	**(19,790)**

5. INVESTMENT INCOME

	31 December 2013 £000	31 December 2012 £000
Investment income		
Interest income from fixed interest securities	19,836	28,097
Dividend income	-	205
Other interest income	379	296
Net realised gains from sale of shares	-	2,579
Net realised gains from sale of fixed interest securities	(1)	(640)
Amortisation charges on fixed interest securities	(5,163)	(5,621)
Investment expenses and charges	(472)	(641)
Total investment income accounted for through the Income Statement	14,579	24,275
Net movement in fair value of financial assets accounted for through the Statement of Comprehensive Income	(10,273)	2,356
Total investment return	4,306	26,631

6 OTHER INCOME

	31 December 2013 £000	31 December 2012 £000
Employee benefits - settlement gain from defined benefit pension scheme (Note 26)	-	20,616
Employee benefits - other income	-	105
Other income	336	2,228
Total other income	336	22,949

Other income in 2012 includes profit arising on the disposal of private medical business

7. CLAIMS INCURRED, NET OF REINSURANCE

	31 December 2013 £000	31 December 2012 £000
Current accident year		
Claims paid until date of Part VII Scheme	49,558	99,145
Claims paid - Part VII Scheme	120,192	-
Provisions for claims outstanding carried forward	-	173,062
Over provision in respect of prior years' provisions for claims outstanding	(12,565)	(17,659)
Claims handling costs until date of Part VII Scheme	8,819	13,638
Change in provision for claims handling costs	(135)	(331)
Total claims incurred net of reinsurance	165,869	267,855

8. ACQUISITION COSTS

	31 December 2013 £000	31 December 2012 £000
Commission expenses payable until date of Part VII Scheme	60,904	87,418
Other acquisition expenses payable until date of Part VII Scheme	8,069	10,224
Change in deferred acquisition costs	3,627	4,172
Total acquisition costs	72,600	101,814

9 ADMINISTRATIVE EXPENSES

	31 December 2013 £000	31 December 2012 £000
Staff costs (see Note 10)	19,584	32,399
Premises costs	3,539	4,859
Other expenses	7,978	24,531
Total expenses	31,101	61,789
Expenses allocated to claims handling expenses (see Note 7)	(8,819)	(13,638)
Expenses allocated to acquisition expenses (see Note 8)	(8,069)	(10,224)
Total administrative expenses	14,213	37,927

Administrative expenses in 2012 include £10,909,000 relating to the changes in accounting estimates and impairment of assets and provisions for restructuring, rebranding and Part VII Scheme costs, all following the acquisition by AUK

9. ADMINISTRATIVE EXPENSES (continued)

The following items are included within total administrative expenses

	31 December 2013 £000	31 December 2012 £000
Depreciation of property, plant and equipment		
owned assets	968	1,205
leased assets under finance leases	102	192
Operating lease rentals payable (property)	1,303	1,920
Fees payable to KPMG Audit Plc for the audit of the annual accounts	117	210
Fees payable to KPMG Audit Plc for other assurance services	15	-
Fees payable to KPMG Audit Plc for tax compliance services	-	25
Fees payable to Mazars LLP for the audit of the annual accounts	-	65
Fees payable to Mazars LLP for other assurance services	12	9

10. STAFF COSTS

	31 December 2013 £000	31 December 2012 £000
Wages and salaries	16,627	27,614
Social security costs	1,675	2,891
Pension costs	1,282	1,894
Total staff costs (Note 9)	19,584	32,399

	31 December 2013 number	31 December 2012 number
The average number of persons employed by GICL during the year		
Management and administration	168	198
Underwriting	146	172
Claims	261	295
Total employed	575	665

In 2013 the average number is based on the 9 month period to 30 September 2013

11. KEY MANAGEMENT COMPENSATION

For the purposes of IAS24 ('Related Party Disclosures'), key managers are defined as the Board of Directors An allocation of remuneration costs has been made in 2012 between GICL and what was a fellow subsidiary undertaking, GUK Broking Services Limited, to the extent of services provided to the respective companies by two Directors

	31 December **2013** **£000**	31 December **2012** **£000**
Salaries and other short term employee benefits	572	1,302
Termination benefits	613	855
Post-employment benefits	84	215
Total key management compensation	1,269	2,372

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

In 2013, the highest paid Director received remuneration of £235,000 (2012 £367,000) GICL made contributions of £45,000 to a defined contributions pension scheme (2012 £59,000) in respect of the highest paid Director Until the date of the Part VII Scheme the number of Directors accruing pension benefits under defined contributions schemes was 1 (2012 3)

12. FINANCE COSTS

	31 December **2013** **£000**	31 December **2012** **£000**
Interest on finance leases	23	50

13. TAXATION

As described in the Directors' Report, the entire business of GICL was transferred to AIL (with effect from the 1 October 2013 for accounting purposes) The carrying value of the deferred tax asset at 31 December 2012 was calculated in expectation of the transfer being approved by the Courts such that it was based on three years' future profits of both companies In anticipation of the transfer, AIL decided to account for 2013 movements in current and deferred tax solely within AIL after the transfer had been effected Consequently there are no movements recorded in the books and records of GICL Any balances relating to current tax and deferred tax asset were transferred to AIL with effect from 1 October 2013

	31 December **2013** **£000**	31 December **2012** **£000**
Reconciliation of current tax charge with accounting profit multiplied by the applicable tax rate		
Profit before tax	18,313	12,014
Income tax using standard rate of corporation tax of 23 25% (2012 24 5%)	(4,258)	(2,943)
Permanent differences	-	4,863
Short term temporary differences	-	4,330
Prior year adjustment	-	192
Tax losses recognised (not recognised) for deferred tax	4,258	(4,957)
Current tax credit	-	1,485
Net deferred tax charge relating to the origination and reversal of temporary differences (Note 17)	-	(33,289)
Total tax charge accounted for in the Income Statement	-	(31,804)
Unutilised tax losses		
Unutilised tax losses at 1 January	227,076	209,196
Losses surrendered	-	(6,062)
Adjustment in respect of prior years	-	785
Tax losses (utilised) unutilised in current year	(18,313)	23,157
Losses transferred to AIL under Part VII Scheme	(208,763)	-
Unutilised tax losses at 31 December	-	227,076
Full deferred tax asset in respect of unutilised tax losses	-	52,320
Full deferred tax asset in respect of pension spreading	-	6,907
Full deferred tax asset in respect of temporary differences	-	1,683
Full deferred tax asset in respect of unapproved pension scheme	-	317
Deferred tax asset recognised before offset of deferred tax liabilities (Note 17)	-	(34,418)
Unrecognised deferred tax asset	-	26,809

The Finance Act 2012 reduced the main rate of UK corporation tax from 24% to 23% (effective from 1 April 2013) The Finance Act 2013 further reduces the headline rate to 21% from 1 April 2014 and 20% from 1 April 2015

14. INVESTMENT IN GROUP UNDERTAKINGS

Company	2013 £000	2012 £000
At 1 January and 31 December	2,000	2,000

Investment in Group undertakings, all of which are consolidated, are as follows

The National Motor and Accident Insurance Union Limited — authorised as an Insurance Company

All subsidiary undertakings are 100% owned by GICL 2013 Limited All subsidiary undertakings are registered in England The issued share capital of each company is exclusively in the form of ordinary shares

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Computer Equipment £000	Motor Vehicles £000	Office Equipment £000	Fixtures & Fittings £000	Total £000
Cost at 1 January 2013	1,177	530	2,312	2,152	6,171
Additions	189	-	27	171	387
Disposals	-	(153)	-	-	(153)
Transfer of assets to AIL	(1,366)	(377)	(2,339)	(2,323)	(6,405)
At 31 December 2013	-	-	-	-	-
Depreciation at 1 January 2013	(654)	(53)	(1,239)	464	(1,482)
Charge for the year	(160)	(102)	(384)	(424)	(1,070)
Disposals	-	90	-	-	90
Transfer of assets to AIL	814	65	1,623	(40)	2,462
At 31 December 2013	-	-	-	-	-
Net carrying value at 31 December 2013	-	-	-	-	-
Net carrying value at 31 December 2012	523	477	1,073	2,616	4,689

The net carrying value of assets held under finance leases included above is £nil (2012 £477,000) in respect of motor vehicles

16. FINANCIAL ASSETS

Group and Company	Fair Value 31 December 2013 £000	Cost 31 December 2013 £000	Fair Value 31 December 2012 £000	Cost 31 December 2012 £000
Fixed income securities	-	-	577,297	563,116
Other loans	-	-	6,336	6,336
Other financial assets	-	-	177	177
Total financial assets	-	-	583,810	569,629
Included in the above were investments				
Listed on the UK Stock Exchange	-	-	168,848	166,883
Listed on other investment exchanges	-	-	408,449	396,233

Group and Company	2013 £000	2012 £000
Financial assets at 1 January	583,810	613,134
Net reductions to investment portfolio	(19,100)	(26,059)
Amortisation of fixed interest securities	(5,163)	(5,621)
Net fair value gains (losses)	(10,273)	2,356
Transfer of assets to AIL	(549,274)	-
Financial assets at 31 December	-	583,810

17. DEFERRED TAX ASSET

Group and Company	Unutilised Tax Losses £000	Claims Equalisation Reserve £000	Pension Scheme £000	Total £000
Brought forward 2012	52,523	(4,974)	10,536	58,085
Recognised in the Income Statement	(24,751)	90	(8,628)	(33,289)
Recognised in the Statement of Comprehensive Income	(577)	-	5,314	4,737
Carried forward at 31 December 2012	27,195	(4,884)	7,222	29,534
Transfer of assets to AIL	(27,195)	4,884	(7,222)	(29,534)
Carried forward at 31 December 2013	-	-	-	-

Part of the deferred tax asset comprised an amount related to the defined benefit pension scheme because of the limited extent to which 2012 contributions paid to the scheme were deducted against 2012 profits for tax purposes

18. DEFERRED ACQUISITION COSTS

	Group and Company	
	31 December 2013 £000	31 December 2012 £000
At 1 January	49,862	54,034
Change in costs deferred (Note 8)	(3,627)	(4,172)
Transfer of assets to AIL	(46,235)	-
At 31 December	-	49,862

There were no material amounts of costs deferred which would have been unwound after one year

19. REINSURANCE ASSETS

	Group and Company	
	31 December 2013 £000	31 December 2012 £000
Reinsurers' share of		
unearned premium reserve	-	137
claims outstanding	-	55,656
Provision for non-recovery and impairment	-	(1,417)
Total reinsurance assets	-	54,376

20. INSURANCE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2013 £000	31 December 2012 £000	31 December 2013 £000	31 December 2012 £000
Receivable arising from insurance contracts				
policyholders	-	14,351	-	14,351
agents, brokers and intermediaries	-	54,772	-	54,772
reinsurers	-	1,635	-	1,635
provision for non recovery and impairment	-	(6,010)	-	(6,010)
subrogation and salvage recoveries	-	7,244	-	7,244
claims floats and related balances	-	3,095	-	3,095
Other debtors	-	401	-	401
Corporation tax recoverable	-	1,485	-	1,485
Accrued interest	-	10,777	-	10,777
Total insurance and other receivables	-	87,750	-	87,750

There have been no material receivables which were expected to be received after one year

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December **2013** **£000**	31 December **2012** **£000**	31 December **2013** **£000**	31 December **2012** **£000**
Bank and cash balances	-	5,704	-	5,704
Short term deposits	3,250	23,756	615	21,118
Total cash and cash equivalents	3,250	29,460	615	26,822

22. CALLED UP SHARE CAPITAL

	31 December **2013** **£000**	31 December **2012** **£000**
Authorised		
191,737,954 ordinary shares of £1 each	191,738	191,738
Allotted and fully paid		
1,000,000 ordinary shares of £1 each (2012 118,064,309)	1,000	118,064

On 22 July 2013, the Company reduced its issued share capital to 1,000,000 £1 ordinary shares

23. EQUITY DIVIDENDS

	31 December **2013** **£000**	31 December **2012** **£000**
Interim dividend paid - £20 (2012 Nil) per ordinary share	20,000	-
Interim dividend arising on the Part VII Scheme	156,714	-
	176,714	-

24. PROVISIONS FOR OTHER RISKS AND CHARGES

Group and Company	Restructuring £000	Premises Leases £000	Dilapi-dations £000	Total £000
At 1 January 2013	5,342	1,709	1,807	8,858
Amount charged to the Income Statement	(900)	500	132	(268)
Movement in provision	(649)	(322)	(36)	(1,007)
Provision transferred to AIL	(3,793)	(1,887)	(1,903)	(7,583)
At 31 December 2013	-	-	-	-

Group and Company	2013 £000	2012 £000
Current - to be utilised within one year	-	5,342
Non-Current - to be utilised after more than one year	-	3,516
Total provision for other risks and charges	-	**8,858**

The provisions were not discounted as the time value of money is not material The period of utilisation of the provisions was likely to have been a maximum of 6 years

GICL operated from various premises under lease agreements A provision had been made for lease commitments on premises no longer used by GICL in excess of anticipated income for sub-leasing agreements GICL made provisions for the cost of repairs arising from the dilapidation of premises occupied by GICL All lease contracts were transferred to AIL on 31 October 2013 During 2012 GICL has made provisions for costs associated with redundancy, rebranding and Part VII Scheme, all arising from the acquisition by AUK

25. INSURANCE CONTRACT PROVISIONS

(a) Insurance contract provisions at the date of the Statement of Financial Position

Group and Company	Gross 31 December 2013 £000	Net 31 December 2013 £000	Gross 31 December 2012 £000	Net 31 December 2012 £000
Unearned premiums	-	-	196,274	196,138
Claims reported and claims handling expenses	-	-	328,005	281,857
Claims incurred but not reported	-	-	97,895	89,803
Unexpired risk reserve	-	-	953	953
Total insurance contract provisions	-	-	623,127	568,751

Reinsurers' share of the above amounts is shown in Note 19

Notes to the Financial Statements

For the year ended 31 December 2013

25. INSURANCE CONTRACT PROVISIONS (continued)

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

	Gross **2013** **£000**	Reinsurance **2013** **£000**	Net **2013** **£000**	Gross **2012** **£000**	Reinsurance **2012** **£000**	Net **2012** **£000**
Balance at 1 January	196,274	(137)	196,138	227,799	(245)	227,554
Balance at 31 December	-	-	-	196,274	(137)	196,138
Change in unearned premium provisions	196,274	(137)	196,137	31,525	(108)	31,417
Written premiums	252,236	(13,233)	239,003	376,278	(34,120)	342,158
Part VII Scheme premium	(179,989)	-	(179,989)	-	-	-
Earned premium	268,521	(13,370)	255,151	407,803	(34,228)	373,575

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

	Gross **2013** **£000**	Reinsurance **2013** **£000**	Net **2013** **£000**	Gross **2012** **£000**	Reinsurance **2012** **£000**	Net **2012** **£000**
Balance at 1 January	425,900	(54,239)	371,661	435,294	(62,279)	373,015
Balance at 31 December	-	-	-	425,900	(54,239)	371,661
Change in claims provisions	(425,900)	54,239	(371,661)	(9,394)	8,040	(1,354)
Paid claims	162,291	(4,821)	157,470	278,274	(22,703)	255,571
Claims handling costs	8,819	-	8,819	13,638	-	13,638
Part VII Scheme paid claims	420,601	(49,360)	371,241	-	-	-
Claims incurred	165,811	58	165,869	282,518	(14,663)	267,855

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

	Gross **2013** **£000**	Reinsurance **2013** **£000**	Net **2013** **£000**	Gross **2012** **£000**	Reinsurance **2012** **£000**	Net **2012** **£000**
Balance at 1 January	953	-	953	-	-	-
Balance at 31 December	-	-	-	953	-	953
Change in unexpired risk reserve	(953)	-	953	(953)	-	953

A Part VII Scheme premium of £953,000 has been charged to gross written premium

(e) Salvage and subrogation

Estimates of recoverables in respect of salvage and subrogation are shown in insurance and other receivables (see Note 20)

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 GICL used several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims The methods most commonly used were the chain-ladder average cost per claim and the Bornhuetter-Ferguson methods

The chain-ladder method involved the analysis of historical claims development factors and the selection of estimated development factors based upon this historical pattern The selected development factors were then applied to cumulative claims data for each accident year that was not yet finally developed to produce an estimated ultimate claims cost for each accident year Chain-ladder techniques were 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, GICL's actuaries made reference to the Bornhuetter-Ferguson method

The Bornhuetter-Ferguson method used a combination of two estimates, a benchmark (eg market-based estimate) and an estimate of claims experience The former was based on a measure of exposures such as premium, the latter was based on a projection of paid or incurred claims to date using chain-ladder type techniques The two estimates were combined to give a formula that gave more weight to the experience-based estimate as time passes

In some cases the required provision was calculated with reference to the actual exposures on individual policies

The choice of selected results for each accident year of each class of business depended on assessment of the technique that had been most appropriate to observed historical developments To the extent that these methods used historical claims development information, they assumed that the historical claims development pattern would have occurred again in the future There were reasons why this may not have been the case which, insofar as they can be identified, had been allowed for by modifying the methods Such reasons included

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

The best estimates derived by GICL's actuaries using the above assumptions were reviewed by the Executive Directors and the heads of Underwriting and Claims as part of the Executive Reserving Committee The Executive Directors selected the final best estimates to be booked in accounts after considering the internal actuarial review and any other peer reviews An additional IBNR reserve for risk and uncertainty was then applied in order to ensure that the claims reserves achieved certain confidence levels, that is, a degree of probability, higher than was typically used for best estimates, that GICL was adequately reserved had the run off of claims been adverse

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 date of the statement of financial position, together with cumulative claims at the current date of the statement of financial position The 2013 year comprises claim movements to 30 September 2013

	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	Total £000
Estimate of gross ultimate claims costs							
at end of accident year	315,452	315,275	323,090	306,672	274,442	174,630	
one year later	309,482	309,455	334,495	302,305	269,070		
two years later	315,085	318,595	343,473	294,033			
three years later	316,574	323,078	341,386				
four years later	307,165	321,232					
five years later	305,557						
Current estimate of cumulative claims	305,557	321,232	341,386	294,033	269,070	174,630	1,705,908
Cumulative payments to date	(282,845)	(294,696)	(292,954)	(237,696)	(176,016)	(49,640)	(1,333,846)
Part VII Scheme claims paid	(22,713)	(26,536)	(48,432)	(56,337)	(93,055)	(124,990)	(372,063)
Current gross claims provisions	-	-	-	-	-	-	-

	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	Total £000
Estimate of net ultimate claims costs							
at end of accident year	293,585	310,494	318,201	274,806	254,059	169,750	
one year later	289,407	301,845	320,750	273,626	249,509		
two years later	299,613	310,363	329,816	269,534			
three years later	290,253	314,659	328,481				
four years later	282,646	312,746					
five years later	282,703						
Current estimate of cumulative claims	282,703	312,746	328,481	269,534	249,509	169,750	1,612,722
Cumulative payments to date	(270,743)	(291,749)	(288,269)	(214,019)	(163,419)	(49,558)	(1,277,757)
Part VII Scheme claims paid	(11,960)	(20,997)	(40,212)	(55,514)	(86,090)	(120,192)	(334,965)
Current net claims provisions	-	-	-		-	-	-

26. EMPLOYEE BENEFITS

GICL operated a defined contributions benefit scheme for its employees under which GICL paid fixed contributions to an independent entity who administered the scheme on behalf of the employees who joined the scheme Contributions made by GICL were charged to the Income Statement in the period they arise All contributions after 30 September 2013 have been made and will be made by AIL

GICL operated a defined benefit scheme, the Groupama UK Pension Scheme ('GUPS'), on behalf of staff who were members before 1 July 2004 Contributions to the scheme were 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 2010 The formal valuation had been updated at subsequent dates of the statement of financial position On 14 November 2012, GICL made a final contribution of £40,000,000 to the scheme to settle its liability Values of the scheme's liabilities and assets were obtained just prior to this payment and movements since 1 January 2012 have been accounted for as normal under IAS19 At this date, the net deficit was £60,616,000 Accordingly, a settlement gain of £20,616,000 arose and was credited to the Income Statement in 2012 The disclosures below relate to the period 1 January to 14 November 2012 only

The main assumptions used by the actuary were

	14 November **2012**	31 December **2011**	31 December **2010**
Discount rate	4 40%	4 80%	5 60%
Expected return on plan assets at the end of the year	n/a	6 14%	6 58%
Price inflation (CPI)	2 40%	2 20%	2 80%
Pension increases	2 80%	3 00%	3 40%

The amount included in the Statement of Financial Position as at 14 November 2012, arising from GICL's obligations in respect of the scheme were as follows

Group and Company	2012 £000
Present value of funded defined benefit obligation	253,528
Fair value of scheme assets	(232,912)
Net pension obligations at 14 November	20,616

The amounts recognised as an expense in the 2012 Income Statement were as follows

	2012 £000
Interest on obligations	(9,713)
Expected return on plan assets	9,818
Settlement gain	20,616
Income recognised in the Income Statement	20,721

26. EMPLOYEE BENEFITS (continued)

The amounts recognised in the Statement of Comprehensive Income are as follows

	2012 £000
Actuarial losses on scheme liabilities	(15,173)
Actuarial gains on scheme assets	(10,794)
Expense recognised in the Statement of Comprehensive Income	(25,967)

The cumulative amount recognised in the Statement of Comprehensive Income was a loss of £58,867,000

The allocation of the scheme's assets was as follows

	2012 %	2012 £000
Growth assets including equities	66%	153,165
Gilts	17%	39,505
Other	17%	40,242
	100%	232,912

The actual return on the scheme's assets during 2012 was a loss of £976,000

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

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

	2012 £000
Present value at 1 January	236,544
Interest cost	9,713
Actuarial losses on scheme liabilities	15,173
Benefits paid	(7,902)
Present value at 14 November	253,528

26. EMPLOYEE BENEFITS (continued)

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

	2012 £000
Present value at 1 January	195,957
Expected return on scheme assets	9,818
Actuarial (loss) gain on scheme assets	(10,794)
Contributions by GICL	45,833
Benefits paid	(7,902)
Present value at 14 November	232,912

Reconciliation of Statement of Financial Position movements

Group and Company	2012 £000
Net liability at 1 January	40,587
Total income (Note 6)	(105)
Amounts recognised in the Statement of Comprehensive Income	25,967
Contributions by GICL	(45,833)
Net liability at 14 November	20,616
Settlement gain (Note 6)	(20,616)
Net liability at 14 November	-

A summary of the scheme's experience is as follows

	31 December 2012 £000	31 December 2011 £000	31 December 2010 £000	31 December 2009 £000
Defined benefit obligation	-	(236,544)	(225,253)	(213,435)
Scheme assets	-	195,957	182,905	163,542
Deficit	-	(40,587)	(42,348)	(49,893)

	31 December 2012 £000	31 December 2011 £000	31 December 2010 £000	31 December 2009 £000
Experience (loss) gain on scheme liabilities	-	(2,786)	(2,735)	(431)
- percentage of the present value of scheme liabilities	-	-1%	-1%	0%
Difference between the expected and actual return on scheme ass(	-	3,296	8,981	9,138
- percentage of the present value of scheme assets	-	2%	5%	6%

27. TRADE AND OTHER PAYABLES

Group and Company	31 December 2013 £000	31 December 2012 £000
Reinsurance payables	-	6,407
Insurance payables	-	8,314
Other creditors	-	8,213
Total trade and other payables	-	22,934

All amounts were expected to fall due within one year

28. FINANCIAL LIABILITIES

Group and Company	31 December 2013 £000	31 December 2012 £000
Net obligations under finance leases		
Falling due within one year - current	-	184
Falling due after more than one year - non current	-	305
Total financial liabilities	-	489

Finance leases are entered into by GICL only for the purchase of motor vehicles (Note 15) All finance leases were transferred to AIL with effect from 1 October 2013

29. COMMITMENTS

Group and Company	2013 £000	2012 £000
The future aggregate minimum lease payments due under		
non-cancellable operating leases are as follows		
not later than one year	-	2,278
later than one year but not later than five years	-	6,530
later than five years	-	2,774
receivable under sub-leases	-	(679)
Total operating lease commitments	-	10,903
Finance lease liabilities - minimum lease payments		
not later than one year	-	221
later than one year but not later than five years	-	351
Total gross finance lease liabilities	-	572
Future finance charges on finance leases	-	(83)
Total present value of finance lease liabilities	-	489

All leases were transferred to AIL with effect from 1 October 2013

30. RELATED PARTY TRANSACTIONS

In the ordinary course of business, GICL carried out transactions with related parties as defined in IAS24 Transactions with group companies comprised of transactions with Groupama S A and its subsidiaries up to 13 November 2012 and with Ageas SA/NV and its subsidiaries from 14 November 2012 A summary of the transactions is as follows

Group and Company	Income and (Expense) for year ended 31 December 2013 £000	Asset or (Liability) as at 31 December 2013 £000	Income and (Expense) for year ended 31 December 2012 £000	Asset or (Liability) as at 31 December 2012 £000
With the parent undertaking				
Groupama S A - reinsurance ceded	n/a	n/a	(7,638)	n/a
With fellow subsidiary undertakings				
Groupama Group				
- investment management services	n/a	n/a	(530)	-
Ageas Group - intermediation services	742	-	685	458

31. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Ageas (UK) Limited, a company incorporated in England and Wales The Directors of the Company regard Ageas SA/NV, incorporated in Belgium, as the ultimate parent undertaking Copies of the financial statements of both companies can be obtained from the registered office of GICL 2013 Limited as shown in the Directors' Report