



Uia (Insurance) Limited

Annual Report and Accounts
for the year ended 31 December 2007

Uia (Insurance) Limited
Kings Court, London Road, Stevenage, Herts. SG1 2TP

FSA Registered Number 110863

UIA (Insurance) Limited

CHAIR'S STATEMENT

Introduction

2007 was a challenging year for UIA but one in which I believe we have made measurable progress towards the achievement of our long-term goals.

June and July Floods

The year was dominated by the widespread flooding in both June and July, which led to us receiving a high number of claims, costing the Company almost four million pounds. During these major events, our aim is always to provide a first-class level of help and support to our members during their time of most need. Following the floods, we immediately established dedicated teams of skilled professionals to commence drying out their homes and begin the reconstruction work. Our claims handlers were in daily contact with the affected policyholders to ensure that progress was as swift and effective as possible. Our aim was first and foremost to meet their immediate needs. We arranged alternative accommodation for those who had to move out of their homes and made cash payments to pay for basic needs. For the duration of the events, we kept in regular contact with our members to ensure that rectification work was completed as speedily as possible.

The success of this proactive approach has been that we were able to repair the great majority of properties within three months of the floods. I firmly believe that the service provided to our policyholders was amongst the best in the industry, and the Board has thanked our claims teams for their fantastic efforts during this very busy period. However, a small number of our policyholders have not yet been able to return home due to the long period needed to fully dry out their properties. I apologise to all these families who can rest assured that we are doing everything possible to complete their repairs as swiftly as possible.

Results

The effect of the rise in storm and flood claims has been that we are reporting a substantial loss for the year of £3.2m. This is disappointing, although not surprising, following the worst floods in over 50 years. Despite this loss, UIA remains strongly capitalised and fully meets the solvency levels required by the Financial Services Authority (FSA).

In all other respects, UIA had a successful year in delivering against the strategy set out in my previous reports. After many years of falling policy count, we have achieved our principal objective this year of stabilising the number of in-force policies, and it is particularly pleasing to record that the number of new household policies sold in 2007 increased by 45% to the highest level for many years. In September 2007, the Board decided to reduce the equity proportion of our investment fund to lessen the financial risk arising from a fall in global stock markets and this change had a beneficial effect on the year's results.

Products

During the year our marketing and product development teams worked to refresh and extend our product range. We introduced new features to our household insurance products to provide even better value to members. For example, in response to the recent increase in cases of identity theft, we now include protection for this as part of our legal expenses cover. We were also pleased to be able to negotiate the reintroduction of multi-trip travel insurance for our members aged over 65. Understanding the current and future needs of our customers is very important to the development of UIA.

UIA (Insurance) Limited

CHAIR'S STATEMENT (continued)

We have commenced a project to develop our communications with customers by undertaking a complete review of our documentation to improve both clarity and relevance. We also started a move towards digital communication with the aim of improving efficiency and reducing costs. We can now send out our welcome letters and renewal reminders by email and members are able to renew their policies online.

Our aim is always to offer our members a price that is fair in reflecting the underlying risk, whilst at the same time being competitive with other offers they receive. However, home insurance should not be purchased on price alone, as the quality of service both at sale and renewal, and particularly during the claims process are important elements in the value that policyholders receive. I must comment on the recent press reports that insurers will be increasing premium rates for those people who live in high risk flood areas, and withdrawing cover in some areas. UIA, as a member of the Association of British Insurers, is continuing to offer cover to existing members who live in these areas. However, to be fair to everyone, we must ensure that the premiums charged in these areas correctly reflect the risks that these policies represent, and therefore, in most cases, premium increases will be needed. We will do all we can to ameliorate the effect of this and will not seek to withdraw cover from current policyholders. With respect to new enquiries, whilst we will endeavour to continue to offer flood cover in high-risk areas, we will take all necessary steps to ensure that the premiums quoted fully reflect the risk.

Treating Customers Fairly

'Treating Customers Fairly' is a key strand of the FSA's move towards a principles-based approach to regulation. We have worked to ensure that our business practices across all functions are aligned with these principles, and that they are firmly embedded within our organisation's culture. We are confident we are in a position to comply with the implementation of this important regulatory policy. It is the Board's view that corporate responsibility should be central to the running of a good company. For UIA, this includes managing our investments in a socially responsible way, donating part of our income to our charitable foundation, keeping our customers at the centre of our focus, treating our staff well, taking a responsible approach to the environment, and operating at all times with integrity and propriety. This way of working has historically been part of our culture and will remain so.

Board and staff

This is my last year as Chair of the Board as I shall be standing down immediately following this year's AGM, after seventeen years on the Board, of which three have been as Chair. This has been an enjoyable and busy time as we have faced up to the many challenges that have brought radical change to our industry. However, I do believe that UIA is now stronger than it has ever been and is well placed to face the future with confidence.

I want to thank all my Board colleagues for the valuable help and support they have given to me over the last three years and for the many hours of dedicated service that they have given to you, the members. During the last year, we welcomed Mike Hayes, Bob Newton and Alison Shepherd to our Board and they are already making valuable contributions to our strategic development.

We also look forward to welcoming Les Bayliss to our Board. Les is the Assistant General Secretary of Unite, and his experience and expertise will be invaluable in developing our relationship with this major trade union. My thanks go to Linda Coey, Pauline Grant, Lorraine Rigby and Keith Sonnet, who all retired from our Board at the 2007 AGM.

UIA (Insurance) Limited

CHAIR'S STATEMENT (continued)

Our success would not be possible without the skill, dedication and sheer hard work of Ian Templeton, Andrew Gay and Ian Cracknell, and all our staff, and on behalf of you all, I want to place on record my thanks to them for their efforts during this exceptionally busy year.

Conclusion

2008 has started well and the outlook for UIA remains good, with business volumes ahead of the same time last year. The excellent progress during 2007 is testimony to the strategy we are pursuing with a clear focus on new business and careful management of expenses. We are now seeing growth in all our key affinities and we are managing our existing business efficiently. Despite the progress made so far, we cannot afford to be complacent and we must keep our strategic options continuously under review to meet the challenges of an ever-changing marketplace.

In conclusion I want to thank you all for your confidence in UIA and me. As I have said I have enjoyed working on the Board and wish you all well.

Carolyn Baker
Chair of the Board

UIA (Insurance) Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007.

Principal activity and review of the business

The principal activity of the company is the transaction of general insurance business. The company's business and prospects are reviewed by the Chairperson on pages 1 to 3.

The result for the year is shown in the consolidated revenue account on page 10.

Directors

The names of the current directors are listed on page 6. All held office throughout the year, with the following exceptions: Linda Coey, Pauline Grant, Lorraine Rigby, Keith Sonnett (resigned 17 June 2007); Bob Newton (appointed 19 June 2007), Mike Hayes (appointed 26 October 2007) and Alison Shepherd (appointed 4 February 2008).

The Board met on 6 occasions during the year; individual recorded attendances were as follows, with the maximum possible meetings shown in brackets:

Carolyn Baker	6	(6)	Pauline Grant	3	(3)
Malcolm Cantello	5	(6)	Mike Hayes	2	(3)
Linda Coey	1	(3)	Pat Ingram	6	(6)
Ian Cracknell	6	(6)	Bob Newton	3	(3)
Veronica Dunn	6	(6)	Lorraine Rigby	2	(3)
Mike Folliard	6	(6)	Keith Sonnet	1	(3)
Gerry Gallagher	5	(6)	Ian Templeton	6	(6)
Andrew Gay	6	(6)			

Charitable donations

During the year the company made donations to the UIA Charitable Foundation amounting to £23,000 (2006: £30,000).

Statement of directors' responsibilities

The directors are required to present accounts for each financial year in accordance with applicable law and regulations.

Industrial and Provident Society Law, as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 as amended 2005 (the Regulations), require the Directors to prepare financial statements for each financial year. In accordance with the Regulations the directors have elected to prepare both the consolidated and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

UIA (Insurance) Limited

DIRECTORS' REPORT (continued)

The consolidated and company financial statements are required by law and UK GAAP to present fairly the financial position of the group and the company and the performance for that period. The Regulations, which apply the provisions of Part VII of the Companies Act 1985, provide in relation to such financial statements that references in the relevant part of the Regulations to financial statements giving a true and fair view and references to their achieving a fair presentation.

In preparing each of the consolidated and company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business; and
- the board is responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group, safeguarding the assets of the group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The Directors have taken all necessary steps to obtain all relevant audit information and to establish that the auditors are aware of that information.

As far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware.

Auditors

A resolution to reappoint Mazars LLP as independent auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Andrew Gay
Secretary

UIA (Insurance) Limited

BOARD OF DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

Carolyn Baker

B.A., A.L.A.

Chairperson

Former Personnel Officer, Department of Leisure Services,
Wirral Metropolitan Borough Council

Veronica Dunn

Vice Chairperson

Councillor,
Newcastle City Council

Ian Templeton

F.C.I.I.

Managing Director

Andrew Gay

B.Sc., F.C.A., A.C.I.I.

Deputy Managing Director

Malcolm Cantello

Internal Auditor

West Midlands Special Needs Transport Limited

Ian Cracknell

M.A., M.I.D.M.

Executive Director, Marketing

Mike Folliard

Staff Side Chairperson,

Central Manchester & Manchester Childrens University Hospital Trust

Gerry Gallagher

Trade Union Side Secretary

Durham Police Staff Group, Police HQ Durham

Mike Hayes

Trade Union Chairperson

UNISON

Pat Ingram

Former Faculty Registrar,

Engineering and Information Sciences,

University of Hertfordshire

Bob Newton

B.Sc., F.I.A., C.Dir

Independent Professional Director

Alison Shepherd (Appointed 4 February 2008)

Planning Administrator

Middlesex University

UIA (Insurance) Limited

BOARD OF DIRECTORS, COMPANY SECRETARY AND ADVISERS (continued)

Company Secretary and Registered Office

Andrew Gay
UIA (Insurance) Limited
Kings Court
London Road
Stevenage
Herts
SG1 2TP

Advisers

Auditors

Mazars LLP

Bankers

Unity Trust Bank plc

Investment Managers

Morley Fund Management Ltd
Fiske plc

Solicitors

Herbert Smith LLP

UIA (Insurance) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED

We have audited the financial statements of UIA (Insurance) Limited for the year ended 31 December 2007 which comprise the consolidated revenue account, consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. 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 opinion we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (as amended 2005), which modified the Industrial and Provident Societies Acts 1965 to 2002. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

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

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

UIA (Insurance) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UIA (INSURANCE) LIMITED (continued)

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2007, and the effect of the movement in those reserves during the year on shareholders' funds, the balance on the general business technical account and profit before tax, are disclosed in note 15.

Opinion

In our opinion the financial statements have been properly prepared in accordance with the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (as amended 2005), which modified the Industrial and Provident Societies Acts 1965 to 2002, and give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31 December 2007 and of the result of the group for the year then ended.

The information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Chartered Accountants
and Registered Auditors
Tower Bridge House
St Katharine's Way
London
E1W 1DD

UIA (Insurance) Limited

CONSOLIDATED REVENUE ACCOUNT for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Technical Account			
Earned premiums, net of reinsurance			
Gross premiums written		28,887	29,497
Outwards reinsurance premiums		(6,337)	(6,613)
Change in gross provision for unearned premiums		419	372
		<hr/>	<hr/>
Earned premiums, net of reinsurance	2	22,969	23,256
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(19,912)	(16,497)
Reinsurers' share		3,595	2,733
Change in provision for claims			
Gross amount		(2,831)	(2,717)
Reinsurers' share		2,790	3,415
Change in equalisation provision	15	141	34
Net operating expenses		(11,119)	(10,918)
		<hr/>	<hr/>
Balance on technical account	2	(4,367)	(694)
		<hr/> <hr/>	<hr/> <hr/>
Non technical account			
Balance from technical account		(4,367)	(694)
Investment income	6	6,762	4,726
Unrealised (losses)/gains on investments		(5,245)	421
Investment expenses and charges		(220)	(240)
Other income		1,662	1,440
Other charges		(1,742)	(1,483)
		<hr/>	<hr/>
(Deficit)/surplus on ordinary activities before taxation	3	(3,150)	4,170
Tax on profit on ordinary activities	7	(81)	(1,008)
		<hr/>	<hr/>
(Deficit)/surplus for the year after taxation		(3,231)	3,162
		<hr/> <hr/>	<hr/> <hr/>

The Group has no recognised gains and losses other than those included in the revenue account in the current and prior year. All of the income and expenditure relates to continuing operations.

UIA (Insurance) Limited

CONSOLIDATED BALANCE SHEET

as at 31 December 2007

	Notes	2007 £000	2006 £000
ASSETS			
Investments			
Other financial investments	9	41,399	46,052
Reinsurers' share of technical provisions			
Arising from reinsurance operations		12,971	10,086
Debtors			
Arising from direct insurance operations		22,558	21,129
Other debtors	10	10	17
		22,568	21,146
Other assets			
Tangible assets	11	46	348
Cash at bank and in hand		2,075	1,690
		2,121	2,038
Prepayments and accrued income			
Accrued interest		131	174
Other prepayments and accrued income		816	598
		947	772
Total Assets		80,006	80,094
LIABILITIES			
Capital and Reserves			
Share capital	12	1	1
Profit and loss account	13	21,130	24,361
		21,131	24,362
Technical provisions			
Provision for unearned premiums			
Gross amount	14	11,305	11,724
Claims outstanding			
Gross amount	14	24,355	21,524
Equalisation provision	15	4,556	4,697
		40,216	37,945
Provision for other risks and charges	16	-	1,361
Creditors			
Arising from direct insurance operations		4,581	4,633
Arising from reinsurance operations		10,750	9,244
Other creditors including tax and social security	17	3,328	2,549
		18,659	16,426
Total Liabilities		80,006	80,094

Approved by the Board of directors on 12 March 2008 and signed on their behalf by:

C Baker
Chairperson

I Templeton
Managing Director

A Gay
Company Secretary

UIA (Insurance) Limited

COMPANY BALANCE SHEET

as at 31 December 2007

	Notes	2007 £000	2006 £000
ASSETS			
Investments			
Other financial investments	9	41,584	46,172
Reinsurers' share of technical provisions			
Arising from reinsurance operations		12,971	10,086
Debtors			
Arising from direct insurance operations		22,558	21,129
Other debtors	10	119	92
		22,677	21,221
Other assets			
Tangible assets	11	31	333
Cash at bank and in hand		1,809	1,546
		1,840	1,879
Prepayments and accrued income			
Accrued interest		131	174
Other prepayments and accrued income		686	469
		817	643
Total Assets		79,889	80,001
LIABILITIES			
Capital and Reserves			
Share capital	12	1	1
Profit and loss account	13	21,147	24,293
		21,148	24,294
Technical provisions			
Provision for unearned premiums			
Gross amount	14	11,305	11,724
Claims outstanding			
Gross amount	14	24,355	21,524
Equalisation provision	15	4,556	4,697
		40,216	37,945
Provision for other risks and charges	16	-	1,361
Creditors			
Arising from direct insurance operations		4,581	4,632
Arising from reinsurance operations		10,750	9,244
Other creditors including tax and social security	17	3,194	2,525
		18,525	16,401
Total Liabilities		79,889	80,001

Approved by the Board of directors on 12 March 2008 and signed on their behalf by:

C Baker
Chairperson

I Templeton
Managing Director

A Gay
Company Secretary

UIA (Insurance) Limited

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Net cash inflow from operating activities	18	1,472	4,350
Corporation tax paid		(557)	(245)
Capital expenditure		62	(100)
Net cash inflow		<u>977</u>	<u>4,005</u>
CASHFLOWS WERE INVESTED AS FOLLOWS:			
Increase in cash holding	19	385	1,220
Net portfolio investment	19		
Purchase of equities		36,509	12,562
Purchase of fixed income securities		7,910	28,545
Sale of equities		(39,856)	(11,810)
Sale of fixed income securities		(13,754)	(27,414)
Deposits with credit institutions		9,783	902
Net investment of cashflows		<u>977</u>	<u>4,005</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of investments. They comply with the Statement of Recommended Practice on Accounting for Insurance business issued by the Association of British Insurers in December 2005 (as amended in 2006).

A summary of the accounting policies, which have been consistently applied, is set out below:

Premiums

Premiums written comprise the total premiums due, exclusive of insurance premium tax, on contracts entered into during the financial year, together with the net effect of adjustments to premiums written in prior periods. The provision for unearned premiums comprises the proportion of gross premiums written that is estimated to be earned in the following financial year and has been calculated on a time apportionment basis. Outward reinsurance premiums are accounted for on a payable basis.

Claims incurred

Claims incurred consist of claims and claims handling expenses, both internal and external, paid during the year together with the movement in the provision for outstanding claims and expenses.

Outstanding claims comprise provisions for the estimated ultimate costs of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related claims handling expenses.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts and are expensed as incurred.

Investments

Group

Listed investments are stated at market value at the balance sheet date. Unlisted investments are valued by the directors having regard to their likely realisable value.

Company

Investments in group undertakings are stated at cost.

Investments

Investment income comprises all dividends, interest and rent receivable in the year together with all realised investment gains and losses. Dividends receivable are recorded on the date which the shares are quoted ex-dividend.

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

1. Accounting Policies (continued)

Realised gains and losses on investments represent the difference between the current value of the investments at the balance sheet date and their purchase price. The movement in unrealised gains and losses includes an adjustment for previously recognised unrealised gains and losses disposed of in the financial year.

Investment revenue and expenses in foreign currencies are translated into sterling at the rates of exchange ruling at the date on which the transaction occurs, or in the case of transactions covered by related foreign exchange contracts, at the rate of exchange specified in the contract. Investment assets and liabilities are translated at the rates ruling at the balance sheet date. All exchange differences are reported in the revenue account.

Investment returns are reported in the non-technical account.

Tangible assets

Tangible assets are capitalised and depreciated by equal instalments over their estimated useful lives. The principal rates used are as follows:

Computer equipment	50%
Operational software	33%
Plant and machinery, fixtures and fittings	20% to 50%

Deferred taxation

In accordance with FRS 19 (Deferred Tax) full provision is made at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the balance sheet date, in respect of timing differences that have arisen but not reversed at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Equalisation provision

An equalisation provision has been established and calculated in accordance with chapter 1 of the Prudential Sourcebook for Insurers (INSPRU).

Leases

Rentals payable under operating leases are charged as incurred over the term of the lease. The benefit arising from rent-free periods is spread on a straight-line basis over the period of the lease.

Pension commitments

Employees are eligible to join the defined benefit scheme of UNISON, which is a multi-employer scheme. Under FRS 17 (Retirement Benefits), the group is accounting for pension costs on the basis of contributions payable, as it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

All available information is disclosed in note 23.

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

2. Segmental analysis

Technical account	Household	Legal Expenses	Total	Household	Legal Expenses	Total
	2007 £000	2007 £000	2007 £000	2006 £000	2006 £000	2006 £000
Earned premiums, net of reinsurance						
Gross premiums written	22,507	6,380	28,887	23,280	6,217	29,497
Outward reinsurance premiums	(1,588)	(4,749)	(6,337)	(1,819)	(4,794)	(6,613)
Change in provision for unearned premiums	419	-	419	372	-	372
	<u>21,338</u>	<u>1,631</u>	<u>22,969</u>	<u>21,833</u>	<u>1,423</u>	<u>23,256</u>
Earned premiums, net of reinsurance						
21,338		1,631	22,969	21,833	1,423	23,256
Claims incurred, net of reinsurance						
Claims paid						
Gross amount	(16,578)	(3,334)	(19,912)	(13,753)	(2,744)	(16,497)
Reinsurers' share	248	3,347	3,595	1	2,732	2,733
Change in provision for claims						
Gross amount	(406)	(2,425)	(2,831)	625	(3,342)	(2,717)
Reinsurers' share	568	2,222	2,790	73	3,342	3,415
Change in equalisation provision	141	-	141	34	-	34
Net operating expenses	<u>(9,965)</u>	<u>(1,154)</u>	<u>(11,119)</u>	<u>(9,806)</u>	<u>(1,112)</u>	<u>(10,918)</u>
Balance on technical account	<u>(4,654)</u>	<u>287</u>	<u>(4,367)</u>	<u>(993)</u>	<u>299</u>	<u>(694)</u>

All insurance underwritten by the company is in respect of risks incepted in the United Kingdom.

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

3. (Deficit)/surplus on ordinary activities before taxation

	2007	2006
	£000	£000
Surplus on ordinary activities before taxation is stated after including:		
Acquisition costs	4,629	4,851
Auditors' remuneration		
Audit fees	73	71
Other services	18	17
Operating lease payments		
Hire of plant and machinery	51	61
(Loss)/profit on sale of fixed assets	(1)	2
Financial services compensation scheme	-	47
	<u> </u>	<u> </u>

4. Staff costs

	2007	2006
	£000	£000
Wages and salaries	3,579	3,323
Social security cost	246	253
Pension cost	708	645
	<u> </u>	<u> </u>
	<u>4,533</u>	<u>4,221</u>
	<u> </u>	<u> </u>
The average number of employees during the year was as follows:		
	<u>150</u>	<u>151</u>
	<u> </u>	<u> </u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

5. Directors' emoluments

The remuneration of the directors who served during the year is detailed below:

	Emoluments	Benefits	Total 2007	Total 2006
	£000	£000	£000	£000
I Cracknell	80	8	88	88
A Gay	105	6	111	110
I Templeton	121	9	130	128
	<u>306</u>	<u>23</u>	<u>329</u>	<u>326</u>
			2007	2006
			£000	£000
Pension contributions				
I Cracknell			19	18
A Gay			25	23
I Templeton			29	27
			<u>73</u>	<u>68</u>
Aggregate emoluments			<u>402</u>	<u>394</u>

Retirement benefits are accruing to three directors (2006: three) under a defined benefit pension scheme.

Six non-executive directors received remuneration for their services to the Group as detailed below:

	Emoluments	Benefits	Total 2007	Total 2006
	£000	£000	£000	£000
C Baker	6	-	6	5
M Cantello	4	-	4	-
V Dunn	4	-	4	4
M Folliard	4	-	4	-
P Grant	-	-	-	3
P Ingram	4	-	4	3
R Newton	12	-	12	-
	<u>34</u>	<u>-</u>	<u>34</u>	<u>15</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) *for the year ended 31 December 2007*

6. Investment income	2007	2006
	£000	£000
Investment income from other investments		
Listed investments	1,790	1,816
Gains on the realisation of investments	4,972	2,910
	<u>6,762</u>	<u>4,726</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2007

7. Taxation on profit on ordinary activities	2007 £000	2006 £000
(a) Analysis of the tax charge		
UK corporation tax:		
Current tax	1,558	247
Adjustments in respect of previous periods	(116)	54
Changes in deferred tax balances (see (c))	(1,361)	707
	<hr/>	<hr/>
	81	1,008
Double tax relief	(9)	(12)
	<hr/>	<hr/>
	72	996
Foreign tax:		
Current tax	9	12
	<hr/>	<hr/>
Total	81	1,008
	<hr/> <hr/>	<hr/> <hr/>
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower than 30% (2006: 30%) of taxable income for the year. The differences are explained below:		
	2007 £000	2006 £000
Investment income	6,762	4,726
Unrealised gains on investments	(5,245)	421
Investment expenses and charges	(220)	(240)
	<hr/>	<hr/>
	1,297	4,907
(Loss) of subsidiaries	(80)	(45)
	<hr/>	<hr/>
	1,217	4,862
Tax on investment income at 30%	365	1,459
Effects of:		
Fully franked investment income	(120)	(101)
Adjustments in respect of previous periods	55	(26)
Utilisation of tax losses	(57)	(943)
Unrealised gain movement	1,574	(253)
Excess depreciation over capital allowances	-	(2)
Difference between tax and accounts unrealised gains movement	57	255
Indexation	(316)	(142)
	<hr/>	<hr/>
Current tax charge for the year (see (a))	1,558	247
	<hr/> <hr/>	<hr/> <hr/>
(c) Provision for deferred taxation		
Deferred tax liability at 1 January	1,361	654
Deferred tax (credit)/charge for the year	(1,361)	707
	<hr/>	<hr/>
Deferred tax liability at 31 December	-	1,361
	<hr/> <hr/>	<hr/> <hr/>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

8. Deficit/(surplus) for the financial year

Consistent with Section 230 of the Companies Act 1985 the company profit and loss account is not presented as part of these financial statements. The group deficit for the financial year of £3,231,000 (2006: £3,162,000 surplus) includes £3,146,000 deficit (2006: £3,218,000 surplus), which is dealt with in the financial statements of the company.

9. Other financial investments	Market Value 2007 £000	Market Value 2006 £000
Fixed interest redeemable stocks	1,892	7,595
Shares, other variable yield securities and units in unit trusts		
Listed on a recognised stock exchange	3,955	20,775
Unit trusts	15,405	7,294
Derivatives	-	24
Deposits with credit institutions	20,147	10,364
	<u>41,399</u>	<u>46,052</u>

The company is the holder of all the group's investments detailed above. It also has a further £185,006 (2006: £120,006) invested in its subsidiaries. Total investments for the company are £41,584,000 (2006: £46,172,000).

The company has five wholly owned subsidiaries, which are registered in England and Wales:

- UIA (Insurance Services) Limited acts as an insurance agent;
- UIA (Call Centres) Limited acts as an operator of telephone call centres;
- UIA (Trustees) Limited acts as corporate trustee for the UIA Charitable Foundation
- UIA Lottery Management Services Limited acts as a lottery operator; and
- Uniservice Limited acts as an insurance agent.

10. Other debtors	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts owed by other parties	7	14	6	14
Deferred tax asset	3	3	-	-
Intercompany debtors	-	-	113	78
	<u>10</u>	<u>17</u>	<u>119</u>	<u>92</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2007

11. Tangible assets

(a) Tangible assets - Group

	Motor Vehicles £000	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost				
At 1 January	159	3,653	871	4,683
Additions	-	25	-	25
Disposals	(159)	-	-	(159)
At 31 December	-	3,678	871	4,549
Accumulated depreciation				
At 1 January	(65)	(3,410)	(860)	(4,335)
Charge for the year	(6)	(225)	(8)	(239)
Disposals	71	-	-	71
At 31 December	-	(3,635)	(868)	(4,503)
Net book value at 31 December 2007		43	3	46
Net book value at 31 December 2006		243	11	348

(b) Tangible assets - Company

	Motor Vehicles £000	Computer Equipment & Systems £000	Furniture, Fixtures & Fittings £000	Total £000
Cost				
At 1 January	159	3,616	810	4,585
Additions	-	14	-	14
Disposals	(159)	-	-	(159)
At 31 December	-	3,630	810	4,440
Accumulated depreciation				
At 1 January	(65)	(3,386)	(801)	(4,252)
Charge for the year	(6)	(214)	(8)	(228)
Disposals	71	-	-	71
At 31 December	-	(3,600)	(809)	(4,409)
Net book value at 31 December 2007		30	1	31
Net book value at 31 December 2006		230	9	333

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

12. Share capital	2007 £000	2006 £000
Issued and fully paid up		
124,710 ordinary shares of 1p (2006: 125,046)	<u>1</u>	<u>1</u>

During the year, the ordinary 'C' shares were redesignated as ordinary shares. Members' voting rights are not altered by this redesignation.

13. Reserves	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Balance at 1 January	24,361	21,199	24,293	21,075
(Deficit)/surplus for the year after taxation	<u>(3,231)</u>	<u>3,162</u>	<u>(3,146)</u>	<u>3,218</u>
Balance at 31 December	<u><u>21,130</u></u>	<u><u>24,361</u></u>	<u><u>21,147</u></u>	<u><u>24,293</u></u>

14. Technical provisions	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Provision for unearned premium – Gross				
Balance at 1 January	11,724	12,096	11,724	12,096
Movement in the provision	<u>(419)</u>	<u>(372)</u>	<u>(419)</u>	<u>(372)</u>
Balance at 31 December	<u><u>11,305</u></u>	<u><u>11,724</u></u>	<u><u>11,305</u></u>	<u><u>11,724</u></u>

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Claims outstanding – Gross				
Balance at 1 January	21,524	18,807	21,524	18,807
Movement in the provision	<u>2,831</u>	<u>2,717</u>	<u>2,831</u>	<u>2,717</u>
Balance at 31 December	<u><u>24,355</u></u>	<u><u>21,524</u></u>	<u><u>24,355</u></u>	<u><u>21,524</u></u>

15. Equalisation provision

The provision has reduced accumulated funds at year-end by £4,556,000 (2006: £4,697,000) and for the year increased the balance on the technical account and decreased the deficit on ordinary activities before taxation by £141,000 (2006: £34,000).

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

16. Provision for other risks and charges	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Deferred tax liability (see note 7(c))	-	1,361	-	1,361

17. Other creditors	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Other creditors comprises of the following amounts:				
Corporation tax payable	1,021	136	1,015	133
Amounts owed under hire purchase contracts	-	103	-	103
Amounts owed to other parties	2,307	2,310	2,151	2,186
Intercompany creditors	-	-	28	103
Balance at 31 December	3,328	2,549	3,194	2,525

Amounts owed under hire purchase contracts are analysed as follows:

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Due within one year	-	68	-	68
Due in one to two years	-	25	-	25
Due in two to five years	-	10	-	10
	-	103	-	103

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

18. Reconciliation of operating surplus to net cash inflow from operating activities

	2007 £000	2006 £000
Operating (deficit)/surplus before taxation	(3,150)	4,170
Deficit/(surplus) arising on revaluation of investments	5,245	(421)
Depreciation charge	239	584
Loss/(profit) on disposal of fixed assets	1	(2)
(Increase) in reinsurer's share of technical provisions	(2,885)	(3,479)
(Increase) in debtors	(1,422)	(1,662)
(Increase)/decrease in accrued interest and prepayments	(175)	81
(Decrease) in unearned premiums	(419)	(372)
Increase in claims provisions	2,831	2,717
(Decrease) in equalisation provision	(141)	(34)
Increase in creditors	1,348	2,768
Net cash inflow from operating activities	<u>1,472</u>	<u>4,350</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued) for the year ended 31 December 2007

19. Movement in cash, portfolio investment and financing

	At 1 Jan 2007	Cashflow	Change to Market value	At 31 Dec 2007
	£000	£000	£000	£000
Cash at bank and in hand	1,690	385	-	2,075
Shares, other variable yield securities and unit trusts	28,093	(3,347)	(5,386)	19,360
Fixed income securities	7,595	(5,844)	141	1,892
Deposits with credit institutions	10,364	9,783	-	20,147
Total investments	<u>47,742</u>	<u>977</u>	<u>(5,245)</u>	<u>43,474</u>

	At 1 Jan 2006	Cashflow	Change to Market value	At 31 Dec 2006
	£000	£000	£000	£000
Cash at bank and in hand	470	1,220	-	1,690
Shares, other variable yield securities and unit trusts	26,256	1,131	706	28,093
Fixed income securities	7,145	752	(302)	7,595
Deposits with credit institutions	9,462	902	-	10,364
Total investments	<u>43,333</u>	<u>4,005</u>	<u>404</u>	<u>47,742</u>
Liabilities under derivative contracts	<u>(17)</u>	<u>-</u>	<u>17</u>	<u>-</u>
Total	<u>43,316</u>	<u>4,005</u>	<u>421</u>	<u>47,742</u>

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

20. Operating lease commitments - Group

The Group has annual commitments in respect of non-cancellable operating leases as follows:

	Land and buildings 2007 £000	Land and buildings 2006 £000	Other 2007 £000	Other 2006 £000
Operating leases which expire:				
within one year	-	-	-	-
in two to five years	353	353	-	-
after more than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	353	353	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21. Related parties - Directors

Members of the board of Directors are also members of the Company. They hold policies with the Company on the same terms as other members.

22. Capital commitments

The Group has no capital commitments contracted for and payable within twelve months (2006: nil).

UIA (Insurance) Limited

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 December 2007

23. Pension costs

The UNISON Staff Pension Scheme is valued every three years by a professionally qualified independent actuary. In the intervening years the actuary provides figures calculated in accordance with FRS 17 for disclosure in the accounts of the principal employer, UNISON. The latest figures show a total deficit in the scheme at 31 December 2007 of £22.0m (2006: £30.8m). The main reasons for the reduction in the deficit in the year are contributions being higher than the value of benefits accruing and an increase in corporate bond yields.

The key FRS 17 assumptions used for the scheme are set out below:

Assumptions	31 December 2007	31 December 2006
Price inflation	3.3%	2.9%
Pension increases	3.3%	2.9%
Salary growth	3.8%	3.4%
Discount rate	5.9%	5.2%

The position of the Scheme as at 31 December 2007 is as follows:

	Expected return	Fair Value £m
Equities	7.6%	173
Bonds	4.4%	95
Currency	7.4%	5
Property	6.4%	5
Cash	4.4%	8
Total fair value of assets		286
FRS 17 value of liabilities		(308)
Net pension scheme (liability)		(22)