



AXA Art Insurance Limited

Directors' Report and Financial Statements for the year ended 31 December 2007

Registered Office 106 Fenchurch Street, London, EC3M 5JE

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COMPANIES HOUSE

AXA Art Insurance Limited

Directors

Dr U Guntram	(Chairman)
Miss A S Fell-Clark	(appointed 15th February 2007)
Miss D P Gage	
P J Hubbard	
C Kleyboldt	(resigned 31st December 2007)
M Pix	
Dr B Sartorius	(appointed 1st January 2008)

Secretary

R A Cryer

Registered office

106 Fenchurch Street, London EC3M 5JE
Registered in England No 293215

Auditors

PricewaterhouseCoopers LLP
London

AXA Art Insurance Limited

CHIEF EXECUTIVE'S STATEMENT

2007 was a year of successful top line growth for AXA Art Insurance Ltd (AXA Art UK). Following a number of years of no growth, a combination of product enhancements and focused business development initiatives helped grow the core business to target, whilst maintaining a healthy bottom line. The growth was also assisted by the assumed business written through the group's Hong Kong office, previously reinsured into the group's US office.

Premiums written and earned for the year were £19.3m and £18m respectively, compared with £17.1m and £17m for the same period in 2006.

The Company's profit after tax increased to £2.576m (2006: £2.419m). In a year where many insurers experienced serious losses in the household market due to the July floods, our own flood losses were relatively modest, mainly as a result of careful risk selection and an avoidance of writing risks in flood areas. There were no other major losses experienced during the year. The net combined ratio for continuing business was 78.7% (2006: 74.3%), which is testament to strong technical underwriting and risk selection.

The lack of claims resulted in more funds being available for investment and net investment income, helped by slightly higher interest rates, rose from £968k to £1,085k.

During 2007, the emphasis of the Company remained on growing the UK regional account in order to balance the overall portfolio. The revamped ARTplus product proved to be able to compete again within the high value homeowners' market and premiums in this line of business grew substantially. Business written in Asia grew by 78% on a gross written basis compared to 2006, a result of increased business development initiatives, a new regional manager being appointed and a growing Asian art market.

Having bolstered the Company's sales force at the beginning of 2008, we continue to take advantage of opportunities which arise for us in the market. Our focus on giving first class service to our broker community is underlined by our claims and art expertise, which help keep our renewal retentions in the UK regional business in the 93-97% range.

The team this year has worked fantastically hard in achieving these results in a market which continues to challenge everyone. I would like to thank everyone who helped to make 2007 another successful year.



Annabel Fell-Clark
Chief Executive
25th March 2008

AXA Art Insurance Limited

REPORT OF THE DIRECTORS FOR 2007

The directors submit their annual report together with the audited financial statements for the year ended 31st December 2007

PRINCIPAL ACTIVITIES

The principal activity of the company is the underwriting of general insurance business

The company has a wholly owned subsidiary, AXA Art Services Limited, which undertakes management and underwriting services

BUSINESS REVIEW

The key KPIs by which the company measures its performance are gross written premiums, gross combined ratio and profit before tax. Analysis of performance against those KPIs is detailed in the Chief Executive's Statement on page 2. The results for the year are shown on pages 11 and 12.

DIVIDENDS

The directors recommend a final dividend for 2007 of £2,576,000 (2006: £2,419,000)

DIRECTORS

The names of the present directors appear on page 1. Dr Guntram, Miss Gage and Mr Pix all served throughout the year, as did Mr Kleyboldt, who resigned on 31st December. Miss Fell-Clark was appointed on 15th February 2007, and Dr Sartorius was appointed on 1st January 2008.

INDEMNIFICATION OF DIRECTORS

The company is party to an indemnity policy covering all entities within the AXA S.A. group which benefits all of its current directors and is a Qualifying Third Party Indemnity Provision for the purpose of the Companies Act 1985.

DIRECTORS' INTERESTS

Following the change in legislation from 6 April (SI 2006/3428, 'The Companies Act 2006 (Commencement No. 1, Transitional Provisions and Savings) Order 2006'), no information on directors' interests in shares and share options need be disclosed.

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The company is exposed to financial risk through the inherent uncertainty in undertaking insurance business affecting its financial assets and liabilities. The most important components of this risk are price, credit, liquidity and cashflow risks.

Price risk

Price risk can be defined as the risk that movements in market factors (such as pricing of bonds), interest rates and currency rates impact adversely the value of, or income from, the financial assets.

The group manages this risk via a strategy of selecting an asset mix of government / low risk corporate debt.

Insurance and reinsurance risk

Insurance risk is associated with the claims arising from the underlying policies. Reinsurance, the bulk of which is arranged by the company's immediate parent undertaking, AXA Art Versicherung Atkiengesellschaft, is used to manage insurance risk and is monitored by management.

Currency

The company is exposed to currency risk in respect of claims denominated in other currencies, principally the US dollar. Mitigation of this risk is achieved by matching the liabilities with assets in the same currency.

Credit risk

Credit risk can be defined as the risk of capital or income loss resulting from counterparty default or issuer credit downgrades affecting financial assets. This is managed by selecting a low risk asset base of government backed securities or low risk corporate debt.

Exposure to credit risk from non-investment items is controlled via different processes including the active monitoring of premium debt.

Liquidity and cashflow risk

Liquidity or cash flow risk is defined as the risk that the group, irrespective of solvency and profitability, may not have sufficient available cash (or near cash assets or funding facilities) to pay obligations when they fall due at reasonable cost. This risk is controlled by regular short-term cash flow forecasting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities, is made for the purpose of clarifying the respective responsibilities of the directors and the auditors in the preparation of the financial statements.

company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and

- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal financial control, for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as each of them is aware, there is no information relevant to the audit of the company's consolidated financial statements for the year ended 31st December 2007 of which the auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken in his/her duty in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

GUARANTEE

Eagle Star Insurance company Limited and Nordstern Allgemeine Versicherungs-Aktiengesellschaft severally guarantee as to 50% each the due fulfilment of all policies written by the company up to 7th January 1993. All policies written by the company after this date are guaranteed by AXA Konzern Aktiengesellschaft

ELECTIVE RESOLUTIONS

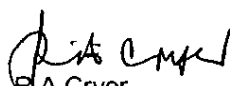
Elective resolutions have been passed for the purposes of

- dispensing with laying of accounts and reports before general meeting
- dispensing with the holding of an annual general meeting
- dispensing with the annual appointment of auditors

AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office until such time as the company or the auditors otherwise determine in accordance with the elective resolution above

By order of the Board


R A Cryer
Secretary
25th March 2008

AXA Art Insurance Limited

REPORT OF THE AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AXA ART INSURANCE LIMITED

We have audited the group and parent company financial statements (the "financial statements") of AXA Art Insurance Limited for the year ended 31st December 2007 which comprise the group Profit and Loss Account, the Reconciliation of Movements in Consolidated Shareholders' Funds, the group and company Balance Sheets and the related notes. These financial statements have been prepared under the accounting policies set out on pages 8-10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chief Executives Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

EQUALISATION PROVISIONS

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation provisions in respect of general insurance business. The nature of equalisation provisions is explained in the accounting policies on page 9, whilst the amounts set aside at 31st December 2007, and the effect of the movement in those provisions during the year on the equity shareholders' funds, general business technical result and profit before tax, are disclosed in note 21(b).

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31st December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
26th March 2008

AXA Art Insurance Limited

ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

The company has not adopted FRS 29 (Financial Instruments: Disclosures). The company is exempt from this standard as it does not hold derivatives at fair value and has therefore not adopted FRS 26 (Financial Instruments: Measurement).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and its subsidiary. As permitted by Section 230 of the Companies Act, the profit and loss account of the company is not presented as part of these accounts.

PREMIUMS

Written premiums comprise the premiums on contracts incepting in the financial year, and are inclusive of pipeline premiums due but not yet notified to the group.

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inward reinsurance business.

UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. This is calculated on a 365ths basis as the incidence of risk is considered to be even over time.

DEFERRED ACQUISITION COSTS

Acquisition costs represent the commission and other expenses of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting period in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

CLAIMS INCURRED

Claims incurred comprise all claim payments and related expenses made in the financial year and the movement in the provision for outstanding claims and settlement expenses, including claims incurred but not reported. Deductions are made for salvage and subrogation recoveries.

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

CLAIMS OUTSTANDING

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries are recorded as other assets and not deducted from outstanding claims.

Provisions for outstanding claims are based on notifications to the company valued either in accordance with a loss adjuster's report or the company's estimate of loss based on the facts as reported. Claims incurred but not reported are estimated by reference to an analysis of the historical incidence of late reported claims adjusted to reflect changes in the volume of business written.

Salvage most commonly arises from the recovery of stolen goods. The timing and incidence of recoveries are not readily predictable - salvage is therefore recognised at the point that recovery by the company is reasonably assured. Salvage not realised at year end is valued at the estimated fair market value.

EQUALISATION PROVISION

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

UNEXPIRED RISKS PROVISION

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

PREMIUM LEVIES

The levies payable to the Financial Services Compensation Scheme are included within administrative expenses as incurred.

INVESTMENTS

Investments are stated at market value for listed securities.

Realised gains or losses represent the difference between net sale proceeds and purchase price.

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

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price, or, if they have been previously valued, their valuation at the last balance sheet date, and are recognized in the non-technical account.

Investment income is the amount receivable for the year and includes the appropriate tax credit, and together with realised gains and losses, expenses and charges are reported in the non-technical account.

DEPRECIATION OF FIXED ASSETS

Depreciation of fixed assets is provided over their expected useful lives on a straight line basis. The annual rate of depreciation applied to all fixed assets is 25%. Assets under construction are not depreciated until first use.

FOREIGN EXCHANGE RATES

Assets and liabilities in overseas currencies are translated into sterling at rates of exchange ruling at close of business on 31st December. Income and expenditure in overseas currencies are translated into sterling at the rate ruling at the beginning of the month in which the transaction takes place. All exchange movements have been included in the non technical account.

PROVISIONS FOR OTHER RISKS AND CHARGES

Deferred taxation is provided in full on all timing differences at the rate at which is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

TRANSACTIONS WITH RELATED PARTIES

As the company is a wholly-owned subsidiary undertaking it has taken advantage of the exemption granted under FRS 8 (Related Party Disclosures) whereby subsidiary undertakings do not have to disclose transactions with group companies qualifying as related parties provided that consolidated financial statements are publicly available. This exemption has been taken on the basis that the company is over 90% controlled within the AXA Konzern Aktiengesellschaft group of companies.

There were no transactions with other related parties.

CASH FLOW STATEMENT

Advantage has been taken of the exemption under the revised FRS1 not to present a statement of cash flow as the company is 90% or more controlled within the AXA Konzern Aktiengesellschaft group of companies, and the consolidated financial statements in which the subsidiary undertaking is included are publicly available.

PENSION SCHEMES

The group operates, through its subsidiary undertaking, various individual retirement benefit arrangements covering certain employees who are eligible and have opted for membership. The schemes are operated as money purchase arrangements funded externally with appropriate contributions made to the pension fund manager which is a life assurance company incorporated in the United Kingdom.

Ongoing amounts charged to the profit and loss account are the pensions costs for the year in relation to this money purchase pension arrangement.

LEASES

Rentals under operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

DIVIDENDS

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

AXA Art Insurance Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - GENERAL BUSINESS

FOR THE YEAR ENDED 31ST DECEMBER 2007

	Note	2007 £000	2006 £000	2006 £000
Gross premiums written	1	19,278	17,128	
Outward reinsurance premiums		(4,370)	(4,304)	
Net Written premiums			14,908	12,824
Change in the gross provision for unearned premiums	22a			
Gross amount		(1,288)	(95)	
Reinsurers' share		(685)	180	
Earned premiums, net of reinsurance			(1,973)	85
		12,935		12,909
Claims paid				
Gross amount		(4,559)	(925)	
Reinsurers' share		492	(873)	
		(4,067)	(1,798)	
Change in the provision for claims	22a			
Gross amount		1,608	(696)	
Reinsurers' share		50	146	
		1,658	(550)	
Claims incurred, net of reinsurance		(2,409)	(2,348)	
Net operating expenses	5	(7,754)	(7,077)	
Change in the equalisation provision	22a&b	(19)	(172)	
Total technical charges		(10,182)		(9,597)
Balance on the technical account for general business		2,753		3,312

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

AXA Art Insurance Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2007

	Note	2007 £000	2006 £000
Balance on the general business technical account		2,753	3,312
Investment income	3	1,085	968
Investment expenses and charges	4	(96)	(160)
Unrealised losses on investments		0	(8)
		989	800
Other income		185	138
Other expenditure	6	0	(748)
Profit on ordinary activities before tax	6	3,927	3,502
Tax on profit on ordinary activities	10	(1,351)	(1,083)
Profit for the financial year after tax		2,576	2,419
Dividends paid	11	(2,419)	(2,487)
Profit/(loss) for the financial year	21	157	(68)

The company has no recognised gains or losses other than its profit or loss for the period

All results are from continuing operations

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

AXA Art Insurance Limited

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31ST DECEMBER 2007

		2007 £000	2006 £000
Profit on ordinary activities after tax		2,576	2,419
Dividends	11	(2,419)	(2,487)
Retained profit/(loss) for the financial year and net addition to shareholders' funds	21	157	(68)
Opening shareholders' funds		11,557	11,625
Closing shareholders' funds		11,714	11,557

AXA Art Insurance Limited

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Note	2007 £000	2006 £000	2006 £000	£000
ASSETS					
Investments					
Other financial investments	14		17,234		17,975
Reinsurers' share of technical provisions					
Provision for unearned premiums	21a	835		1,520	
Claims outstanding		875		825	
			1,710		2,345
Debtors					
Debtors arising out of direct insurance operations					
Policyholders		19		11	
Amounts owed by group undertakings		364		0	
Intermediaries		4,947		3,388	
Debtors arising out of reinsurance operations					
	15	37		30	
Other debtors	16	40		43	
			5,407		3,472
Other assets					
Tangible assets	18	398		870	
Cash at bank and in hand		3,157		2,979	
Other	19	431		0	
			3,986		3,849
Prepayments and accrued income					
Accrued interest and rent		285		261	
Deferred acquisition costs	22a	2,963		2,847	
Other prepayments and accrued income		143		135	
			3,391		3,243
Total assets			31,728		30,884

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

AXA Art Insurance Limited

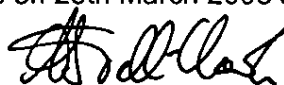
CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Note	2007 £000	2006 £000
LIABILITIES			
Capital and reserves			
Called up share capital	20	5,000	5,000
Profit and loss account	21	6,714	6,557
Shareholders' funds attributable to equity interests		11,714	11,557
Technical provisions			
Provision for unearned premiums	22a	8,802	7,514
Claims outstanding	22a	4,372	5,980
equalisation provision	22a&b	2,712	2,693
		15,886	16,187
Provisions for other risks and charges	23	350	350
Creditors payable in less than one year			
Creditors arising out of direct insurance operations	24	73	28
Creditors arising out of reinsurance operations	25	1,554	741
Other creditors including taxation and social security	26	1,430	699
		3,057	1,468
Accruals and deferred income	27	721	1,322
Total liabilities		31,728	30,884

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

Approved by the board of directors on 25th March 2008 and signed on its behalf by



A S Fell-Clark
Director

AXA Art Insurance Limited

BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Note	2007 £000	2006 £000	2006 £000	£000
ASSETS					
Investments					
Investments in group undertakings	13	10	10		
Other financial investments	14	17,234	17,975		
				17,244	17,985
Reinsurers' share of technical provisions					
Provision for unearned premiums	22a	835	1,520		
Claims outstanding		875	825		
				1,710	2,345
Debtors					
Debtors arising out of direct insurance operations					
Policyholders		19	11		
Amounts owed by group undertakings		364	0		
Intermediaries		4,947	3,388		
Debtors arising out of reinsurance operations					
	15	37	30		
Other debtors	16	252	744		
				5,619	4,173
Other assets					
Cash at bank and in hand		2,818	2,640		
Other	19	431	0		
				3,249	2,640
Prepayments and accrued income					
Accrued interest and rent		285	261		
Deferred acquisition costs	22a	2,963	2,847		
				3,248	3,108
Total assets				31,070	30,251

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

AXA Art Insurance Limited

BALANCE SHEET

AS AT 31ST DECEMBER 2007

	<i>Note</i>	2007		2006	
		£000	£000	£000	£000
LIABILITIES					
Capital and reserves					
Called up share capital	20	5,000		5,000	
Profit and loss account	21	6,644		6,537	
Shareholders' funds attributable to equity interests			11,644		11,537
Technical provisions					
Provision for unearned premiums	22a	8,802		7,514	
Claims outstanding	22a	4,372		5,980	
equalisation provision	22a&b	2,712		2,693	
			15,886		16,187
Provisions for other risks and charges	23		350		350
Creditors payable in less than one year					
Creditors arising out of direct insurance operations	24	73		28	
Creditors arising out of reinsurance operations	25	1,554		741	
Other creditors including taxation and social security	26	1,288		753	
			2,915		1,522
Accruals and deferred income	27		275		655
Total liabilities			31,070		30,251

The accounting policies and the notes on pages 18 to 30 form an integral part of these financial statements

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2007

1 Segmental information

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

	2007 Gross premiums written £000	2007 Gross premiums earned £000	2007 Gross claims incurred £000	2007 Gross operating expenses £000	2007 Reinsurance balance £000
Direct insurance					
Fire and other damage to property	17,779	16,807	3,097	7,612	3,903
Third party liability	0	0	(41)	0	41
Miscellaneous	0	0	(17)	0	17
	17,779	16,807	3,039	7,612	3,961
Reinsurance	1,499	1,183	(88)	480	214
	19,278	17,990	2,951	8,092	4,175

	2006 Gross premiums written £000	2006 Gross premiums earned £000	2006 Gross claims incurred £000	2006 Gross operating expenses £000	2006 Reinsurance balance £000
Direct insurance					
Fire and other damage to property	16,812	16,669	1,789	7,723	3,447
Third party liability	0	0	(469)	15	454
Miscellaneous	0	0	(122)	4	118
	16,812	16,669	1,198	7,742	4,019
Reinsurance	316	364	423	144	23
	17,128	17,033	1,621	7,886	4,042

Commissions payable in respect of direct insurance amounted to £4,430,000 (2006 £4,615,000)

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

1(b) Analysis of premiums, profit before taxation and net assets

The company writes art, and associated, insurance business in the United Kingdom and the directors consider this to be the company's only geographical and business segment

2 Prior years' claims provisions

Over provisions for claims provisions held at the beginning of the year compared to net payments and provisions at the end of the year in respect of prior years' claims are as follows

	2007 £000	2006 £000
Fire and other damage to property	1,498	1,835
Miscellaneous	0	2
	1,498	1,837

3 Investment income

	2007 £000	2006 £000
Income from investments	1,085	966
Other interest receivable	0	2
	1,085	968

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

4 Investment expenses and charges

	2007 £000	2006 £000
Investment management expenses, including interest	74	91
Losses on realisation of investments	22	69
	96	160

5 Net operating expenses

	2007 £000	2006 £000
Acquisition costs	6,632	7,008
Change in gross deferred acquisition costs	(116)	(53)
Other technical expenses	96	0
	6,612	6,955
Administrative expenses	1,480	931
	8,092	7,886
Gross operating expenses	(39)	(857)
Reinsurance commissions and profit participation	(299)	48
Change in deferred reinsurance commission		
	7,754	7,077

6 Profit on ordinary activities before tax

	2007 £000	2006 £000
<i>Profit on ordinary activities before tax is stated</i>		
<i>after crediting</i>		
Income from listed investments	886	771
Other income	185	138
<i>after charging</i>		
Other expenditure	0	748
Depreciation	143	135
Auditors' remuneration		
Audit	40	40

Other income includes net gains made on foreign currency transactions

Other expenditure includes net losses made on foreign currency transactions, and other expenses incurred in relation to Insurance Premium Taxation on overseas business

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

7 Remuneration of directors

	2007 £000	2006 £000
Aggregate emoluments	199	259
Compensation for loss of office (excluding shares)	0	200
	199	459

	2007 £000	2006 £000
Aggregate value of contributions to a defined contribution scheme	16	29

	Number 2007	Number 2006
Number of directors		
To whom benefits are accruing under a defined benefit pension scheme	0	0
To whom benefits are accruing under a defined contribution pension scheme	1	1

	2007 £000	2006 £000
Highest paid director		
Emoluments	166	226
Compensation for loss of office (excluding shares)	0	200
Contributions to a defined contribution scheme	16	29
	182	455

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

8 Staff numbers and costs

The average number of persons employed by the group (including directors) was as follows

	Number 2007	Number 2006
Management	6	5
Underwriting and administration	22	24
	<u>28</u>	<u>29</u>

The aggregate payroll costs in respect of these persons were as follows

	2007 £000	2006 £000
Salaries	1,823	1,861
Social security costs	194	222
Other pension costs	218	209
	<u>2,235</u>	<u>2,292</u>

9 Auditors' remuneration

During the year the group obtained the following services from the group's auditor at costs as detailed below

	2007 £000	2006 £000
Audit Services		
Fees payable to the company's auditor for the audit of the parent company and consolidated accounts	34	34
Non Audit Services		
Audit of the company's subsidiary, pursuant to legislation	6	6
Total	<u>40</u>	<u>40</u>

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

10 Taxation on profit for the year

	2007 £000	2006 £000
Current taxation		
UK corporation tax on profits of the period	1,190	931
Adjustment in respect of previous periods	158	15
Total current tax	1,348	946
Deferred tax		
Origination and reversal of timing differences	3	16
Pension cost charge in excess of pension cost relief	0	121
Total deferred tax (note 17)	3	137
Tax on profit on ordinary activities	1,351	1,083

The tax assessed for the period is higher (2006 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	3,927	3,502
Profit on ordinary activities multiplied by standard rate in the UK - 30% (2006 30%)	1,178	1,051
Effects of		
Expenses not deductible for tax purposes	12	18
Accelerated capital allowances and other timing differences	0	(17)
Pension contribution relief in excess of net pension cost charge	0	(121)
Adjustments to tax charge in respect of previous periods	158	15
Current tax charge	1,348	946

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

11 Dividends

2007	2006
£000	£000

Final dividend paid	2,419	2,487
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The directors are proposing a final dividend in respect of the financial year ended 31st December 2007 of £2,576,000

12 Profit of company

Of the consolidated profit after taxation, a profit of £2,526,000 (2006 £2,485,000) is dealt with in the accounts of the company

13 Investment in group undertakings

At 31st December 2007 and 2006 AXA Art Insurance Limited held ordinary shares in the following subsidiary

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Description of shares</i>	<i>Percentage of issued share capital</i>
AXA Art Services Limited	Great Britain	Ordinary shares of £1 each	100

The principal activity of AXA Art Services Limited, a company registered in England and Wales, is to act as underwriting manager

Investment in group undertakings is stated at the directors' estimate of its current value, the estimate at 31st December 2007 being £10,000 (2006 £10,000)

14 Other financial investments

	Market Value	Market Value	Cost	Cost
	2007	2006	2007	2006
	£000	£000	£000	£000
Debt securities and other fixed interest securities	15,978	15,676	16,005	15,703
Deposits with credit institutions	1,256	2,299	1,256	2,299
	17,234	17,975	17,261	18,002

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

15 Debtors arising out of reinsurance operations

Group & Company	
2007	2006
£000	£000

Amounts owed by intermediaries	37	30
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16 Other debtors

Group		Company	
2007	2006	2007	2006
£000	£000	£000	£000

Amount owed by group undertaking	0	0	252	744
Deferred taxation	40	43	0	0
	40	43	252	744

17 Deferred taxation

2007	2006
£000	£000

Balance at 1st January	43	181
Debited to the profit and loss account during the year	(3)	(138)
Balance at 31st December	40	43
Calculation of deferred tax asset		
Accelerated capital allowances	40	43

During the year, as a result of the change in UK Corporation tax rates which will be effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to temporary differences which are expected to reverse prior to 1 April 2008 is measured at 30%, and deferred tax relating to temporary differences expected to reverse after 1 April 2008 is measured at the tax rate of 28%, as these are the tax rates that are expected to apply on reversal.

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

18 Tangible assets

The group	Total £000
Cost	
At 1st January 2007	1,394
Additions	1
Disposals	(330)
At 31st December 2007	1,065
Depreciation	
At 1st January 2007	524
Charge for year	143
At 31st December 2007	667
Net book value	
At 31st December 2007	398
At 31st December 2006	870

19 Other assets - other

	2007 £000	2006 £000
Salvage recoverable	431	0

The salvage balance as at 31 December 2007 includes £272,000 of salvage which was not previously recognised at 31 December 2006

20 Called up share capital

	2007 £000	2006 £000
Authorised		
5,000,000 (2006 5,000,000) ordinary shares of £1 each	5,000	5,000
Called up, allotted and fully paid		
5,000,000 (2006 5,000,000) ordinary shares of £1 each	5,000	5,000

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

21 Reserves

	Profit and loss account 2007	
	Group £000	Company £000
At 1st January 2007	6,557	6,537
Retained profit for the year	157	107
At 31st December 2007	6,714	6,644

22 Technical provisions and deferred acquisition costs

22(a) Movement during the year

	Provision for unearned premiums £000	Claims outstanding £000	equalisation provision £000	Total £000	Deferred acquisition costs £000
The group and company					
Gross amount					
At 1st January 2007	7,514	5,980	2,693	16,187	2,847
Movement in the provision	1,288	(1,608)	19	(301)	116
At 31st December 2007	8,802	4,372	2,712	15,886	2,963
Reinsurance amount					
At 1st January 2007	1,520	825	0	2,345	421
Movement in the provision	(685)	50	0	(635)	(299)
At 31st December 2007	835	875	0	1,710	122
Net technical provisions					
At 31st December 2007	7,967	3,497	2,712	14,176	2,841
At 31st December 2006	5,994	5,155	2,693	13,842	2,426

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

22(b) Equalisation provision

As explained in the accounting policy relating to equalisation provisions, an equalisation provision is established in the financial statements. The effect of the provision is to reduce shareholders' funds at 31st December 2007 by £1,890,000 (2006 £1,877,000). The increase in provision during the year had the effect of reducing the balance on the technical account for general business and profit and loss before tax of £19,000 (2006 £172,000).

23 Provisions for other risks and charges

As explained in the accounting policies on page 10, provision is made for tax liabilities arising from the allocation of items of income and expenditure to different periods for taxation and accounting purposes, except where it is probable that a liability will not crystallize.

Other provisions comprise £350,000 (2006 £350,000) which has been made in respect of insurance premium tax related amounts due to foreign tax authorities.

24 Creditors arising out of direct insurance operations

	Group & Company	
	2007	2006
	£000	£000
Amounts owed to intermediaries	73	28

25 Creditors arising out of reinsurance operations

	Group & Company	
	2007	2006
	£000	£000
Amounts owed to intermediaries	209	274
Amounts owed to group undertakings	1,345	467
	1,554	741

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

26 Other creditors including taxation and social security

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Corporation tax payable	824	328	783	455
Social security	50	59	0	0
Amounts due to group undertakings	256	14	205	0
Other	300	298	300	298
	1,430	699	1,288	753

27 Accruals and deferred income

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Deferred reinsurance commissions	122	421	122	421
Other accruals and deferred income	599	901	153	234
	721	1,322	275	655

28 Leases

The total rentals under operating leases, charged as an expense to the profit and loss account, are disclosed below

	Group & Company	
	2007	2006
	£000	£000
Land and buildings	155	155

Annual commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires

Obligations under operating leases comprise
Land and buildings

	Group & Company	
	2007	2006
	£000	£000
Expiring in more than five years	155	155

AXA Art Insurance Limited

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 2007

29 Guarantee

Eagle Star Insurance company Limited and Nordstern Allgemeine Versicherungs-Aktiengesellschaft severally guarantee as to 50% each the due fulfilment of all policies written by the company up to 7th January 1993. All policies written by the company after this date are guaranteed by AXA Konzern Aktiengesellschaft.

30 Pension schemes

The group operates, through its subsidiary undertaking, various individual retirement benefit arrangements covering certain employees who are eligible and have opted for membership. The schemes are operated as money purchase arrangements funded externally with appropriate contributions made to the pension fund manager which is a life assurance company incorporated in the United Kingdom.

The pension charge for the period in respect of these arrangements was £218,000 (2006 £209,000).

31 Ultimate parent company

The company is a subsidiary undertaking of AXA Art Versicherung Aktiengesellschaft, a company incorporated in Germany.

The smallest group in which the results of the company are included is AXA Konzern Aktiengesellschaft, a company incorporated in Germany. Copies of its accounts can be obtained from Colonia-Allee 10-20, 51067 Cologne, Germany.

The ultimate parent undertaking of the company and the largest group in which the results of the company are included and for which group accounts are prepared is AXA, a company incorporated in France. Copies of its accounts can be obtained from 16 Avenue Matignon, 75008 Paris, France.