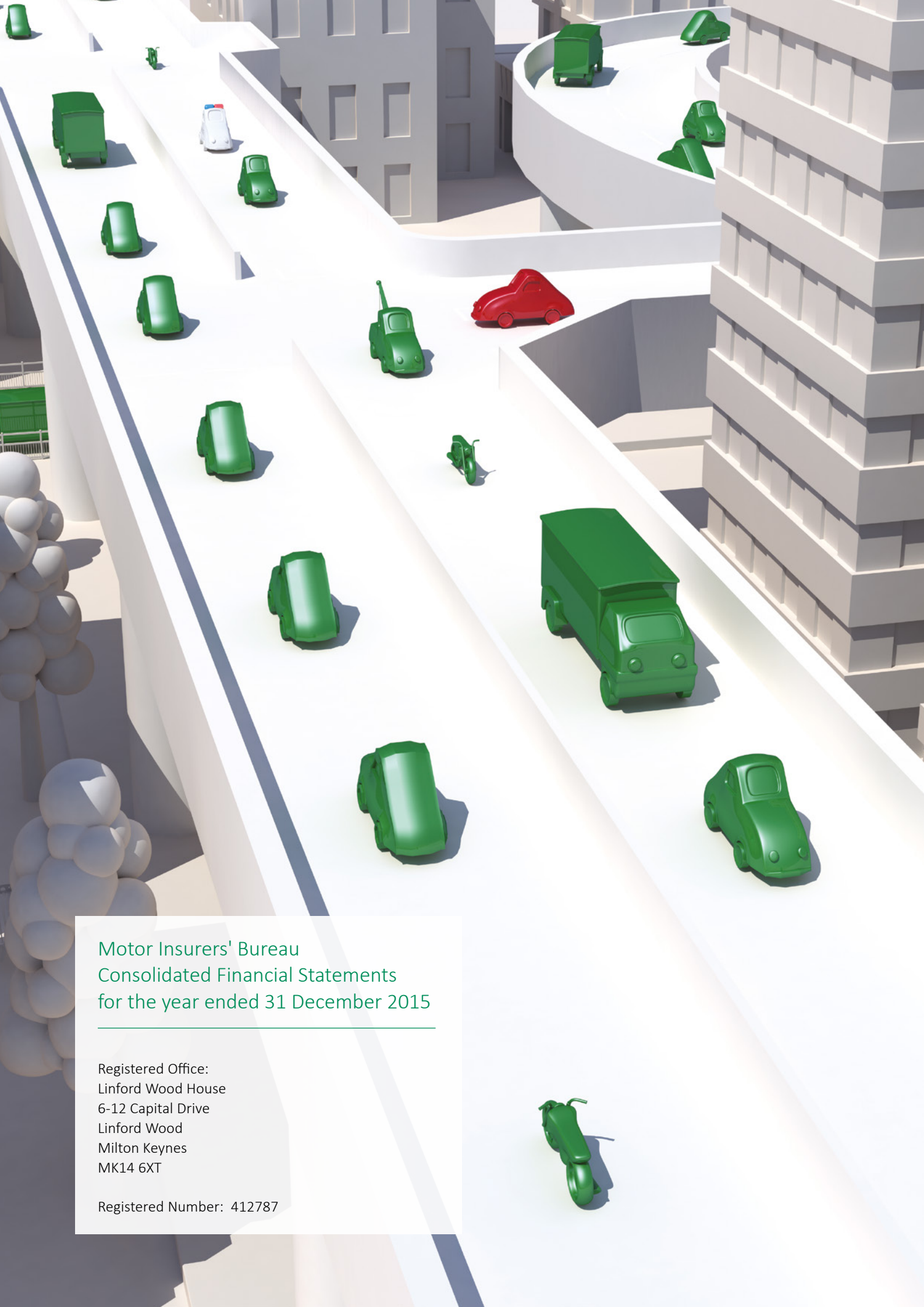


Annual Report and Accounts **2015**





Motor Insurers' Bureau
Consolidated Financial Statements
for the year ended 31 December 2015

Registered Office:
Linford Wood House
6-12 Capital Drive
Linford Wood
Milton Keynes
MK14 6XT

Registered Number: 412787

Contents

Chairman's statement	4
Chief Executive's statement	6
Strategic report	14
– Group status	14
– Principal activities	14
– Financial position and future prospects	14
– Board of Directors	15
– Membership details	16
– Statement of disclosure of information to auditors	17
– Employee policy	17
– Charitable donations	17
– Supplier terms	17
Directors' report	18
Corporate governance statement	20
– The Board	20
– Audit and Risk Committee	20
– Investment Committee	20
– Levy Group	20
– Remuneration Committee	20
– Nomination Committee	21
– Executive Management Team (EMT)	21
– IT Governance Board	21
– Internal Audit	21
– Risk management	22
– Compliance	22
– Health and safety	22
– Corporate Social Responsibility (CSR)	22
– Workplace	22
– Marketplace	22
– Community	22
– Environment	22
– Communications	23
– People	23
Case studies	24
Independent auditors' report	30
Consolidated statement of comprehensive income	32
Consolidated statement of financial position	33
Consolidated statement of cash flows	34
Notes to the financial statements	35
Glossary	52

Chairman's statement

2015 was another good year of progress for MIB with the successful implementation of two more industry projects and insurer levy contributions reducing slightly on the previous year.



Steve Maddock
MIB Chairman

The base levy for 2016 has been held at the same level as 2015, although an additional £6m is being collected to fund the payments arising from claims to the MIB resulting from changes introduced by the Deregulation Act 2015. However, it should be noted that this is not an additional cost to Members overall but simply a shift from direct funding by Members to payment by the MIB.

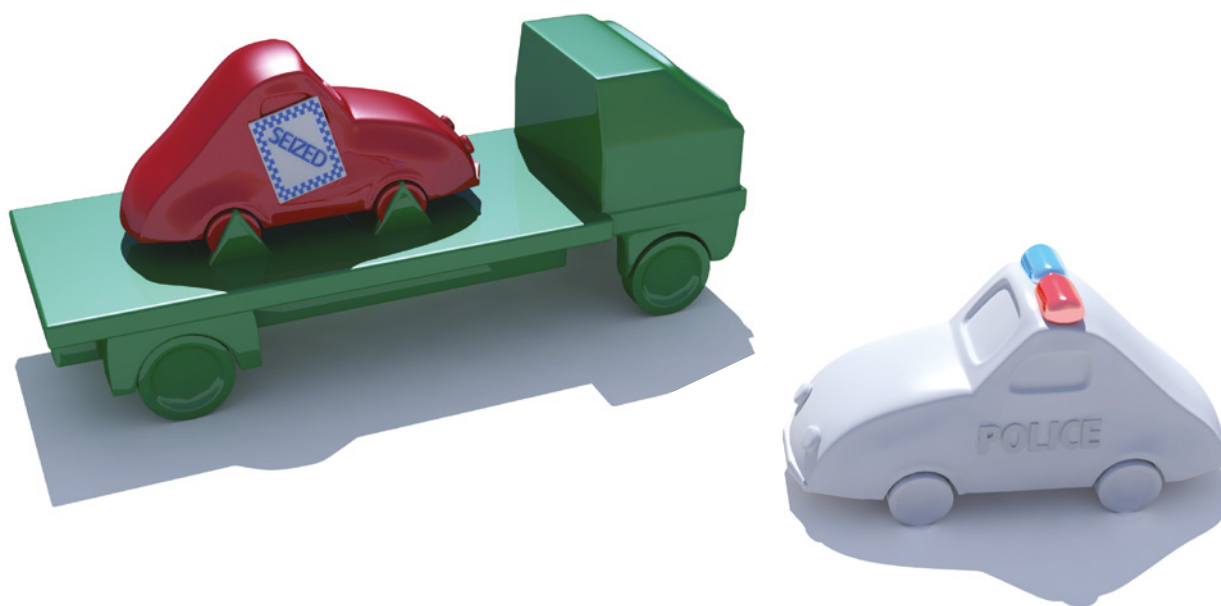
However, the significant reduction in uninsured driving seen in recent years slowed markedly to a point where other factors, such as an increase in the number of vehicles in the UK and a return to more normal underlying injury frequency levels across the UK market, contributed to the number of claims to the Guarantee Fund increasing over the year. Whilst this did not reflect in additional payments in the year, the outstanding claim portfolio increased along with reserves.

The levy collected this year was £244.0m against payments of £205.0m. However, this reduction in payments is more than offset by the increase in outstanding reserves which will require payment in future years.

Our concern about progress in the fight against uninsured driving was expressed in the Report and Accounts last year and 2015 saw a significant investment in a major media campaign run, predominantly, through social media channels and aimed at younger drivers. The resultant video – 'Gone in Seconds' has now been seen by over 1.5m people. We combined this with a campaign to re-invigorate police activity particularly in the light of reduced funding for road traffic policing. I am pleased to report that the greater engagement with senior officers in key 'hotspot' areas has resulted in an increase in the number of vehicle seizures by the police for the first time in some years. MIB's investment in focussed messaging campaigns and police activity to identify and apprehend uninsured drivers will continue for the foreseeable future.

"2015 saw a **major media campaign** run, predominantly, through social media channels and aimed at younger drivers."





"I am pleased to report that the **greater engagement** with senior officers in key 'hotspot' areas has resulted in an **increase in the number of vehicle seizures** by the police for the first time in some years."

However, the nature of insurance avoidance is evolving. The insurance industry and the police are geared up to deal with the binary question of whether there is a valid policy or not. There is a wealth of evidence that many people are now taking out a policy to ensure their vehicle is on the MID but are providing false information to secure a lower premium. MIB, police and insurers are working over the next 12 months to establish revised processes and procedures to address this issue.

On data management, the Board and management have focused on enhancing information security resilience in all areas. We continuously assess our controls in a rapidly changing environment. In addition to maintaining the ISO27001 accreditation, work has begun under an IT Governance Board, to look to further improve our approach to information security.

The Board also undertook a high level review of strategy last year, including a detailed survey of all members and stakeholders. The results have been published separately. I am hugely encouraged by the widespread support for the activities of MIB in the

fight against uninsured driving, the continuing need to provide excellent service to those who have been injured by uninsured or 'hit and run' drivers and the data management service role on behalf of the insurance community. We will look to undertake a more in depth review of our strategy throughout 2016, to ensure the MIB is well placed to meet the challenges of a rapidly evolving landscape.

This is now my second year as Chairman and it has been a pleasure to work with the management team and everyone at MIB. They continue to provide excellent value to the insurance industry and I would like to thank them for their hard work and commitment during the year and look forward to working with them in 2016.

Steve Maddock
Chairman
24 May 2016

Chief Executive's statement

Overall it has been a successful year for MIB in terms of delivery of the core objectives and extending the range of services provided.



Ashton West OBE
MIB Chief Executive

Introduction

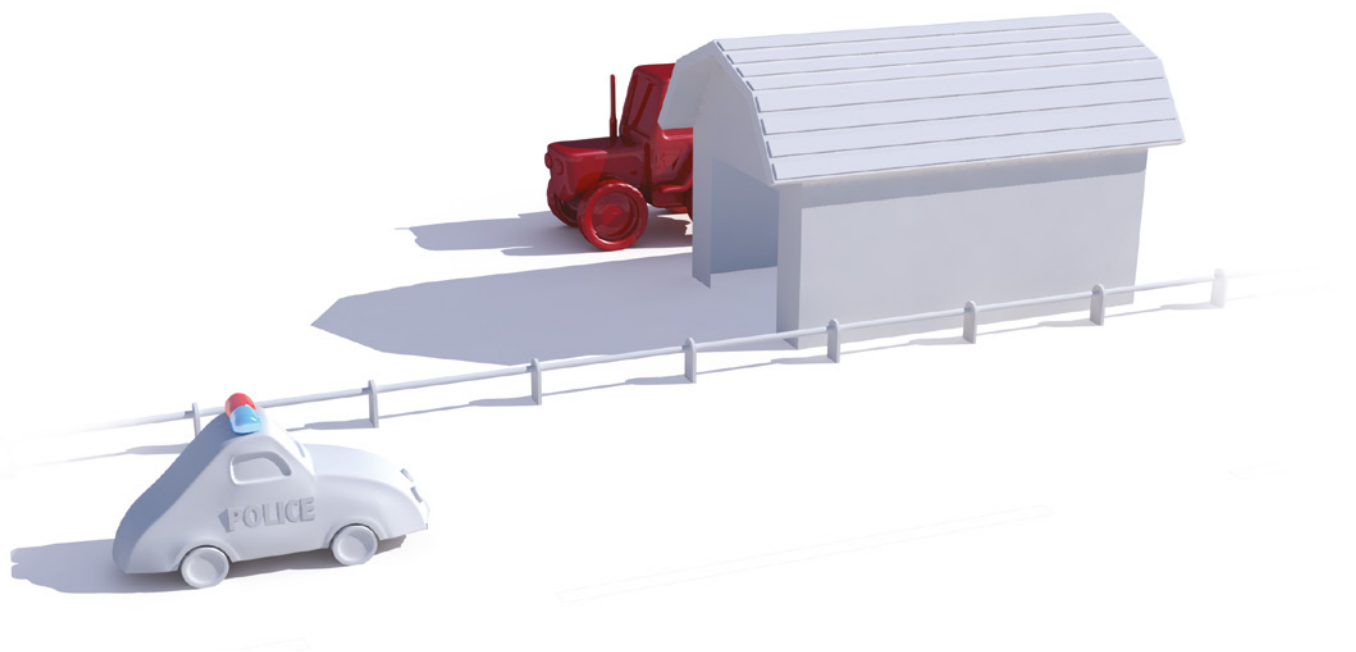
The levy is a major indicator of the success of MIB. In 2015 we collected £244.0m against payments of £205.0m. However, this reduction in payments is more than offset by the increase in outstanding reserves which will require payment in future years.

Even with this increase in reserves, the base levy for 2016, on the advice of external actuaries, has been held at the same level as 2015. There is also an additional £6.0m being collected to fund the payments

arising from claims to MIB resulting from changes introduced by the Deregulation Act 2015. However, it should be noted that this is simply a shift from direct funding by Members to payment by MIB – it is not an additional cost to Members overall.

In recent years we have seen a significant reduction in the number of claims against the Guarantee Fund. This did not continue in 2015 although the increase in numbers came predominantly from untraced rather than uninsured claims. However, this development reinforced the need to continue to invest in messaging about the consequences of driving without insurance and resulted in the creation of an awareness campaign to deter motorists, particularly young drivers, from taking to the road without insurance. The 'Gone in Seconds' campaign video, aimed at younger drivers, has now been seen by more than 1.5m people and some key police forces have increased their effectiveness in seizing uninsured vehicles, resulting in the target being exceeded in 2015.

"The Slovenian case of Vnuk has raised challenges to the UK compulsory motor insurance provisions. In particular **serious concerns have been raised over the enforceability** of the compulsory regime."

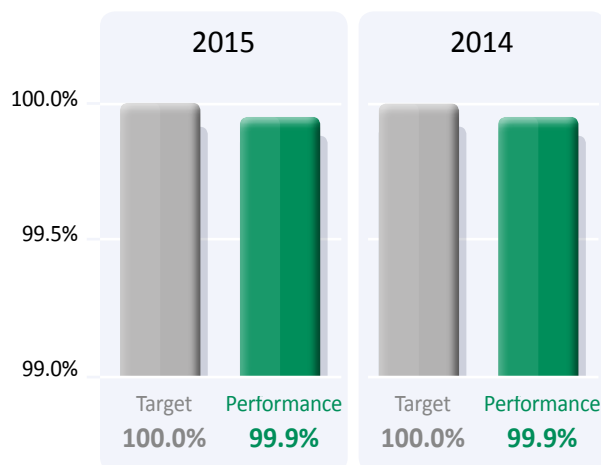


The nature of uninsured driving has evolved in the last ten years, as more people now take out an insurance policy but don't necessarily disclose accurate information in order to obtain a cheaper premium. In addition we now receive a greater proportion of claims from accidents with 'hit and run' drivers than from uninsured ones. There has been very little research undertaken into the reasons why people leave the scene of an accident. In order to develop strategies that may encourage behaviour change, evidence needs to be gathered to support the likely effectiveness of change. To this end, MIB has commissioned the Criminology Department at the University of Leicester (UoL) to undertake the appropriate research which we believe will help provide the necessary insight into the motivations and factors contributing to these behaviours. From these findings we hope to develop ideas to positively change these behaviours, including greater engagement with enforcement agencies and communication activities to raise awareness.

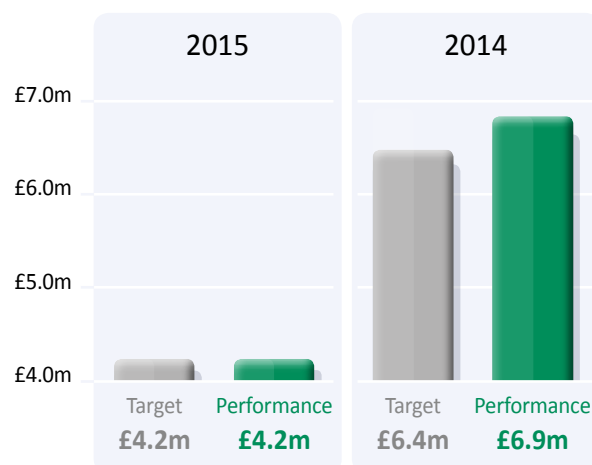
The Deregulation Act came into force on 30 June 2015 removing the legal significance of "the certificate of insurance". RTA requirements now simply mean that an insurer's liability ends on cancellation of the policy. After close liaison with the Government and Members, details of the changes to cancellation procedures and consequent changes to MIB's Articles were delivered.

MIB has also worked extensively with the Department for Transport (DfT) and the ABI during 2015 to explore the full implications of the Slovenian case of Vnuk, which has raised challenges to the UK compulsory motor insurance provisions. In particular, serious concerns have been raised over the enforceability of the compulsory regime required by the judgment, and how it could have a negative impact on progress to date. MIB has supported the notion of a change to the EU Directive, to minimise the unintended consequences of the decision.

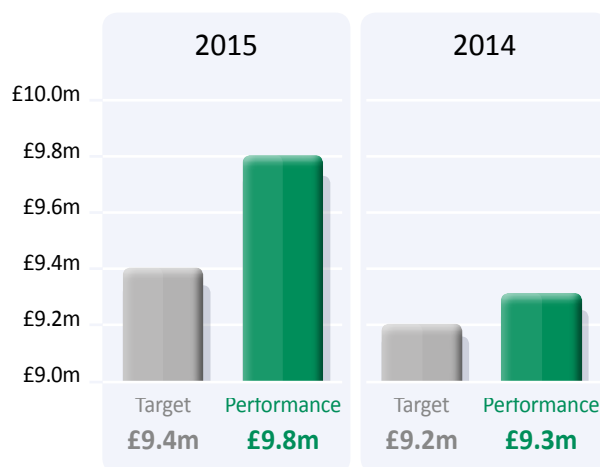
Budget performance



Comms performance (AVE)



Recovery performance



Chief Executive's statement (continued)

Uninsured driving

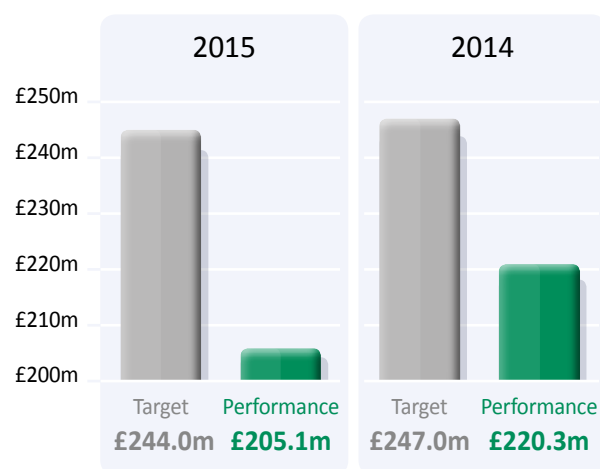
The picture in relation to uninsured driving is not as clear as in previous years. The overall number of claims into the Guarantee Fund increased by 10.4% above 2014 levels, however this increase was predominantly driven by claims against untraced drivers. The small increase in the uninsured claims is almost certainly reflecting environmental factors such as more vehicles on the road, more miles driven and the increased activities of claims management companies. As the number of taxed vehicles not on the Motor Insurance Database (MID) continued to reduce, we are reasonably confident that the level of uninsured driving in the UK remains much the same as it was in 2014, at around 1m vehicles. The work with actuaries resulted in MIB notifying Members that the 2016 levy will be set at the same level as 2015 (£244.0m), with an additional £6m to fund the additional claims anticipated from the Deregulation Act.

An objective for 2015 was to re-engage the Police, to help retain their focus on uninsured driving and counter the impact of any reduction in the number of dedicated road traffic officers in order to halt the downward trend in helpline use and vehicle seizures. Pleasingly, by the end of December we saw an increase in the number of vehicles seized by all UK forces to 120,687 (2014: 116,500). In addition, the Police Helpline's extended hours proved increasingly popular with greater insurer member support contributing to an overall increase in the Helpline seizure rate from a planned 31.0% to 33.3% in December 2015.

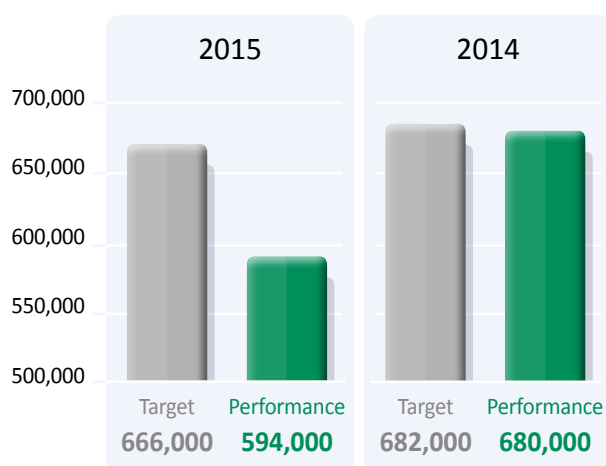
"The Police Helpline's extended hours contributed to an **overall increase** in the Helpline seizure rate from a planned 31.0% to 33.3%."

The MID is a key tool in tackling uninsured driving on our roads. It directly supports both on road enforcement by Police and Continuous Insurance Enforcement (CIE) by the DVLA. Therefore, it is imperative that the process by which data is uploaded to the MID is as timely and accurate as possible to underpin confidence in its use. In 2015 data supply performance again significantly exceeded targets. Underpinning the above is a requirement to

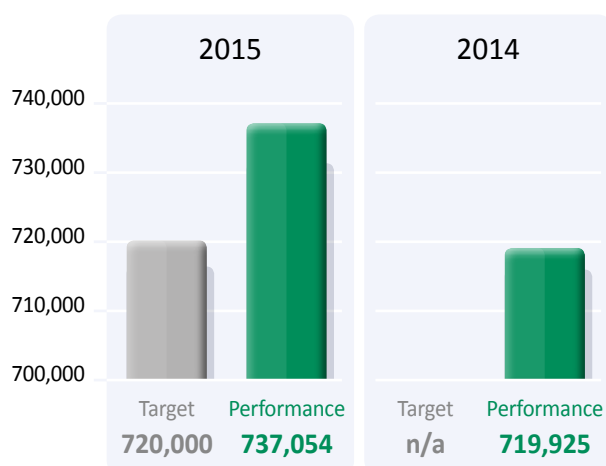
Levy performance



Taxed vehicles not on MID



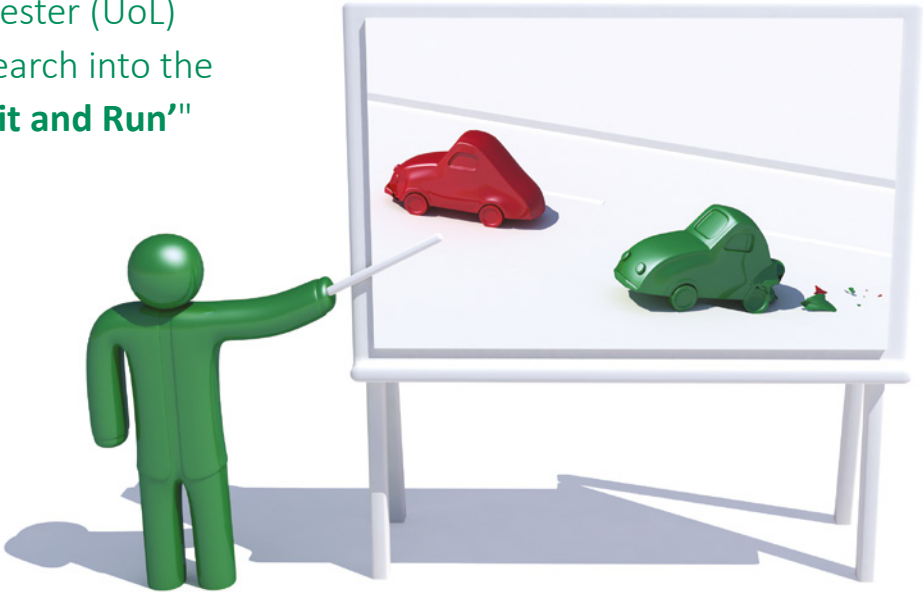
CIE IAL'S issued



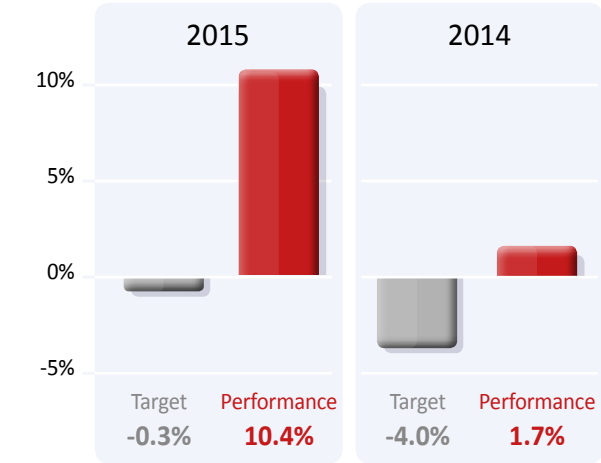
continuously communicate with consumers to explain the legal requirements for insurance and the consequences of driving without it. The first chapter of the MIB awareness campaign included a YouTube video, cinema advert and digital messaging. Satisfyingly, all performed well with the video reaching over 0.75m views in its first four months and has now been seen by more than double that number. The next phase of the campaign will seek to build on this success.

A more intractable problem is how to address the issue of ‘hit and run’ drivers. Claims against this group now constitute around 65.0% of the Guarantee Fund total and around 10.0% of all personal injury road traffic accidents according to the Department for Transport figures. It is a major concern and one where there is very little research. For this reason, MIB has commissioned the Criminology Department at the University of Leicester (UoL) to undertake research into the ‘Psychology of Hit and Run’, the results from which we hope will help us develop ideas and strategies to reduce the impact and cost of this criminal behaviour.

"MIB has commissioned the Criminology Department at the University of Leicester (UoL) to undertake research into the ‘Psychology of Hit and Run’"



Increase/(decrease) in MIB GF claims



Number of Police seizures



Chief Executive's statement (continued)

MIB claims services

The impact of the rise in new reported claims presented various challenges within the Claims Services area in 2015. The combined outstanding portfolio ended the year 10.8% higher than the previous year and additional resource was put into place during the year, which should ensure a planned portfolio reduction during 2016, based upon current anticipated claim reporting levels.

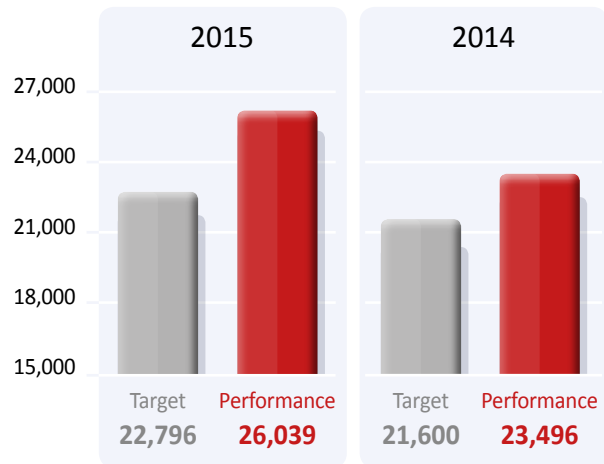
"The customer engagement result was positive with a net satisfaction score of **79.6%**, compared to a target of 75.0%."

The quality audit scores remained very good, achieving a score of 96.0%, although the leakage result was slightly behind the target with a score of 4.1%. Further improvements were made to the lifecycle, although it did not meet the target. The overall lifecycle reduced by 18 days compared to the 2014 result. Lifecycle will continue to be a key focus throughout 2016 with the introduction of further improvements, particularly in relation to the handling of untraced driver claims.

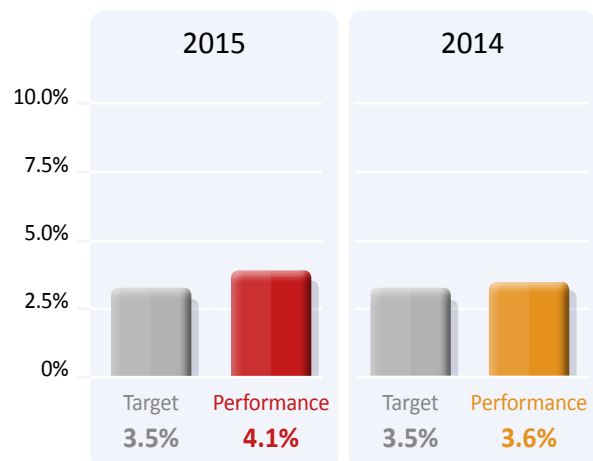
The customer engagement result was positive with a net satisfaction score of 79.6%, compared to a target of 75.0%. Complaint levels remained at anticipated low levels despite the handling challenges outlined.

The level of fraudulent claims is an on-going concern within the motor insurance industry and the MIB continues to remain vigilant in detecting and identifying fraud through robust controls. During the year £22.2m of fraud savings were recorded, exceeding last year's performance.

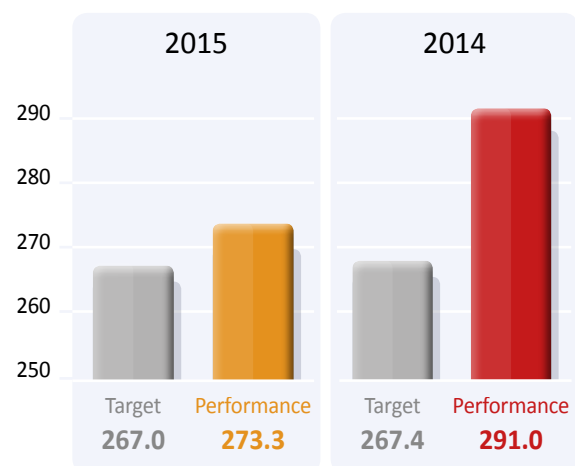
Outstanding portfolio



Leakage



Total average lifecycle



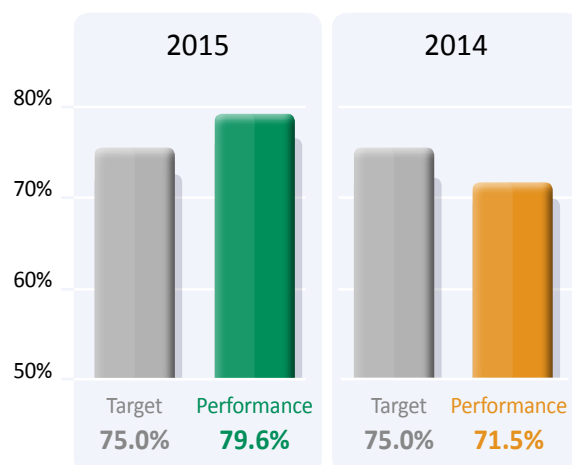
MIB non-claims services

The key developments this year have been the completion of the MyLicence batch bulk renewal system which went live in September 2015 and the NCD service completed in June 2015. The proportion of the market using the MyLicence service stood at 25.6% at December 2015. In addition to the system development, communication was also a key focus in 2015 with the MyLicence Programme Board set up to communicate strategy to the industry.

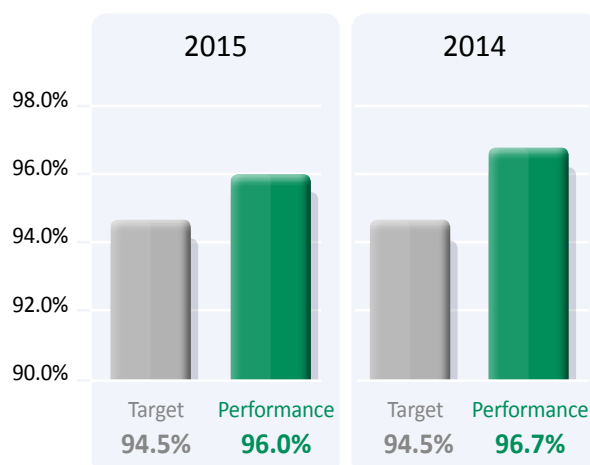
The askMID range of services for consumers has continued to provide fast, efficient access to the MID data which can now be accessed conveniently from the roadside using a smart phone.

The askCUEPI system, providing information specified in the Civil Procedure Rules (CPR) to claimant lawyers, was launched in May 2015. This web-service facility, designed to help prevent fraud, enables claimant representatives to check, before submission of the claim, the number of previous personal injury claims made by their client.

Customer engagement index



Quality audit scores



	Target 2015	Performance 2015	Target 2014	Performance 2014
MyLicence service take up	50.0%	25.6%	n/a	n/a
AskMID service availability	99.0%	100.0%	n/a	99.7%
AskMID potential improper enquiries	2.6%	2.8%	n/a	3.3%



"The askCUEPI system was **launched in May 2015**. This web-service facility, enables claimant representatives to check previous personal injury claims made by their client."

Chief Executive's statement (continued)

Non-MIB managed services

This now represents an increasingly large component of MIB activity with 21.2% (vs. 16.6% in 2014) of resources being charged out to these services. The key activities during the year were the launch of Phase 2 of the MIAFTR database on time and within budget for Insurance Database Services Ltd (IDSL), the issuing

of the IDSL/MIB ABC Roadmap which sets out the strategic direction and for the use of validated data in relation to its provision at the point of quote, improving the quality of CUE data in preparation for the launch of SIS+ (a central database solution to host and improve the validation of CUE data) in 2016 and the launch of the new MedCo system.

	Target 2015	Performance 2015	Target 2014	Performance 2014
IFB customer satisfaction	87.0%	81.0%	n/a	87.0%
IFB budget	100.0%	84.6%	100.0%	92.4%
IDSL customer satisfaction	75.0%	44.0%	n/a	n/a
IDSL budget	100.0%	76.8%	100.0%	60.4%
MIAFTR availability	99.5%	99.9%	99.5%	100.0%
Portal budget	100.0%	79.7%	100.0%	87.5%
Portal system availability	97.5%	99.6%	97.5%	99.9%
ELTO user satisfaction	50.0%	55.0%	n/a	40.0%
ELTO member satisfaction	75.0%	40.0%	n/a	n/a
ELTO budget	100.0%	95.8%	100.0%	91.7%
ELTO system availability	99.5%	100.0%	99.5%	100.0%

Risk management

With the increasing breadth of service activity at MIB, the focus continues to increase on proper governance and control. A robust risk management framework is central to the efficient and successful management of MIB. It provides a positive method to help manage key business issues such as information security. The Risk and Compliance team oversees all of MIB's risk management controls, in adherence to the principles and guidelines of ISO 31000. The team is responsible for helping to ensure that appropriate risk management behaviours are embedded into the business culture of the Bureau.

MIB continued with the comprehensive programme of work to maintain MIB's ISO 27001 Information Security Management System (ISMS) certification. Following an assessment in May 2015, MIB was certified with the new version of ISO 27001.

In response to the increasing cyber security threats to business, MIB has created an IT Governance Board with the initial responsibility of overseeing a full review of information security risks across all data assets. This will ensure that all information security and risk

management processes are thoroughly embedded in the business at all levels and that all risks are assessed and controlled against the defined risk appetite statements.

The organisational skills have been enhanced with the recruitment of a new Head of Risk and Compliance and a Chief Information Security Officer.

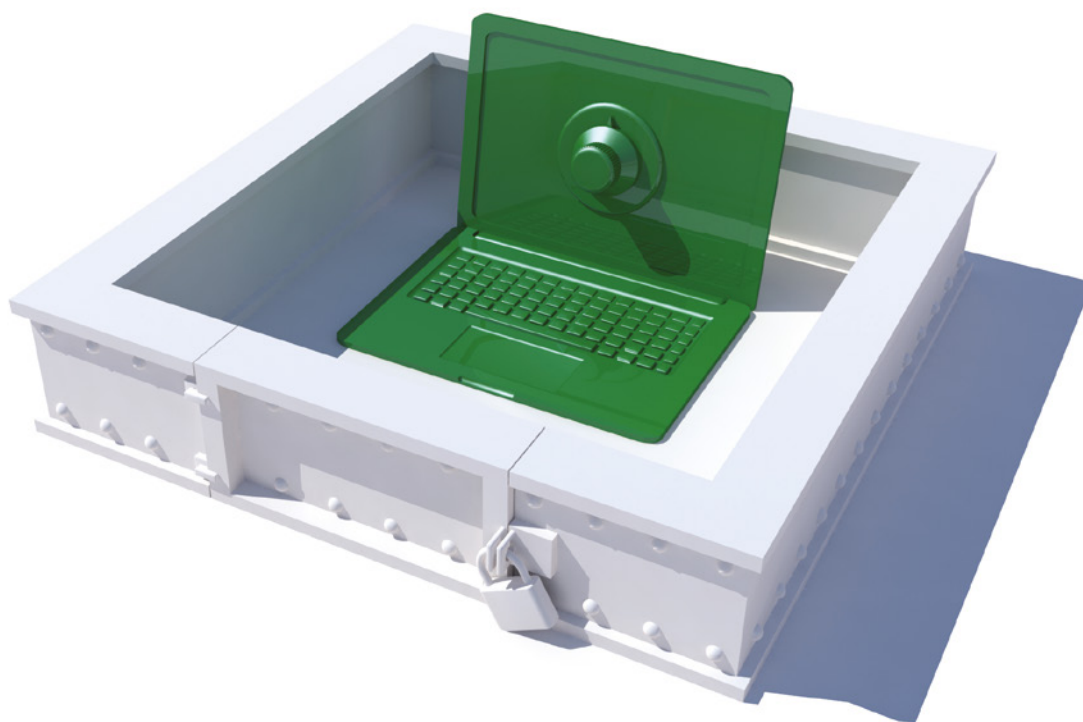
In addition, all areas of the business remain certified to the ISO 22301 standard for business continuity.

Internal audit

The Internal Audit team has expanded, with further focus on MIB processes and increased assurance activity, arising from responses to requests from the companies where MIB is providing management services.

People

The importance of engagement and people development is embedded within MIB and employees are encouraged and supported to meet their career aspirations. It is pleasing to see that many individuals at MIB are actively developing their skills and knowledge.



"In response to the **increasing cyber security threats** to business, MIB has created an IT Governance Board with the initial responsibility of overseeing a full review of information security risks across all data assets."

During 2015 there has been a focus on leadership and a framework of skills for 'MIB Leaders' which has been created to set out levels of expectation for each defined role. The development of key leadership skills will help to ensure that MIB can look to meet the future needs of its changing business landscape and it supports MIB's commitment to develop talent and invest in succession planning. MIB holds the 'Investors in People' award and this accreditation is important recognition and acknowledgement of this approach.

MIB remains committed to maintaining its Chartered Insurer status and continues to focus on ethical conduct and customer service. In 2015 the MIB values were reviewed with input from a number of people across the organisation and whilst there was no fundamental change, the words now reflect better the working environment and are aligned with the CII Code of Ethics.

The employee engagement survey for 2015 showed an improvement on MIB scores from 2014 in a significant number of areas but there is scope for improvement.

And finally

The foundation of the successful delivery of these and future initiatives is our commitment to operate as a centre of excellence, a strong desire to continually identify and implement improvements whilst consistently demonstrating adherence to our core values.

All of this can only be achieved through the constant effort, support and enthusiasm of the people who work here. I would like to thank everyone who has contributed to these successes, for their endeavours and continued support during 2016 which almost certainly will be equally interesting and challenging.

Ashton West OBE
Chief Executive
24 May 2016

Strategic report

The Board present its report and the audited financial statements of the Motor Insurers' Bureau for the year ended 31 December 2015.

Group status

The Directors confirm that the Bureau remains a Group limited by guarantee, without a share capital.

Principal activities

The activities of the Group are: -

- 1) In pursuance of agreements with the Secretary of State for Transport:
 - a) To satisfy judgements in respect of any liability required to be covered by contracts of insurance or security under the Road Traffic Acts 1972 and 1988.
 - b) To investigate, and where appropriate, make awards to persons suffering damage to property or injury or dependants/relatives of persons killed as a result of the use of a motor vehicle on a road, in cases where the driver of the vehicle cannot be traced.
- 2) In accordance with the provisions of the Internal Regulations of the Council of Bureaux to act as:
 - a) A Paying Bureau to guarantee the payment of relevant liability claims arising from accidents in other countries caused by holders of International Certificates of Motor Insurance (Green Cards) issued under the authority of the Bureau, or by users of motor vehicles registered in the United Kingdom.
 - b) A Handling Bureau to deal with Road Traffic Act liability claims arising from accidents in the United Kingdom caused by drivers of foreign registered vehicles on a temporary visit to the United Kingdom, in possession of valid Green Cards and/or vehicles registered in a signatory country of Section III of the Internal Regulations.
- 3) As required by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 (S.I. 2003 No.37) and the Agreement between Compensation Bodies and Guarantee Funds, approved under Commission Decision 2004/20/EC, to act as the Compensation Body to:

- a) Handle claims made by UK resident victims arising from accidents abroad, where there are no foreign insurers' representatives, or where those representatives fail to act, or where an insurer or the responsible driver cannot be identified.
- b) Act as the UK Information Centre and reimburse peer Compensation Bodies who have paid foreign victims of accidents in the UK, in accordance with the equivalent legal provisions implementing the Fourth Directive 2000/26/EC (now encompassed within 2009/103/EC).
- c) Maintain the Motor Insurance Database (MID) ensuring:
 - i) A fit for purpose database supporting the detection, enforcement and prevention of uninsured driving in the UK.
 - ii) Compliance with current Road Traffic Act legislation (Road Traffic Act 1988 and The Motor Vehicles Third Party Risks Regulations 2001, S.I. No.2266).

Financial position and future prospects

The Directors confirm that total expenditure of MIB continues to be reimbursed by contributions received and sums receivable from its members. Further information is available within the Chairman's and Chief Executive's statements. The Directors are satisfied with the position of the Group and its performance during this financial year. The performance review of the Group is set out within the Chief Executive's statement on pages 6 to 13.

The consolidated statement of comprehensive income on page 32 shows that the Group has neither made a profit nor incurred a loss in the year to 31 December 2015. MIB continues to have the support of its members.

The income included within the consolidated statement of comprehensive income of £281.7m comprises the cash levy called of £227.7m plus the movement in uncalled levy of £54.0m which represents the movement in claims provisions; see note 3 for detail.

Board of Directors

The following were Directors during the year and held office throughout the year unless shown otherwise:

Chairman



S Maddock
Direct Line Group
Chairman - 04.03.2014 •
Non-Executive Director
09.06. 2011 •

Executive Directors



A West OBE
Chief Executive
Motor Insurers' Bureau
14.04.2003 •



A Sherman
Finance Director
Motor Insurers' Bureau
09.02.2009 •

Non-Executive Directors

• Date of appointment



D Clayden
QBE Insurance
11.09.2009 •



I Currie
RSA
10.09.2010 •



A Clarke
Ageas
10.09.2010 •



M Bacon
Equity Red Star
31.03.2011 •



D Slater
Acromas
27.03.2013 •



S Baker
AXA Insurance
03.04.2013 •



C Fresneau
Zurich Insurance
07.09.2015 •



S Fernandes
LV=
15.12.2015 •

Appointments

Directors appointed to the Group after the year end are as follows:

Executive Directors: **None**

Non-Executive Directors **J Abboud, Allianz, 11.03.2016**

Resignations

T Moss, Allianz, 12.02.2009 • 30.10.2015

T Holliday, Zurich Insurance, 23.03.2012 • 04.09.2015

S Treloar, Aviva, 04.03.2014 • 29.04.2016

Strategic report (continued)

Board attendance

The Directors of the Group attended the following Board and Audit and Risk Committee meetings during the year:

Name	Board meetings				Audit and Risk Committee	
	20.03.15	22.05.15	18.09.15	11.12.15	12.05.15	05.11.15
S Maddock	●	●	●	●	●	●
A West	●	●	●	●	●	●
A Sherman	●	●	●	●	●	●
D Clayden	○	●	●	●	●	●
I Currie	●	○	●	●	●	●
A Clarke	○	●	●	○	●	●
M Bacon	○	○	●	○	●	●
T Holliday	●	○	●	●	●	●
D Slater	●	●	●	●	●	●
S Baker	●	●	●	●	●	●
S Treloar	●	●	●	●	●	●
T Moss	●	●	○	●	●	●
C Fresneau	●	●	●	●	●	○
S Fernandes	●	●	●	●	●	●

● = Present ○ = Absent ● = N/A

Membership details

During the year the following companies were accepted as members of the Bureau:

Name	Date of joining
St Bernard Assure Limited	13.05.2015
QIC Europe Limited	15.06.2015
Watford Insurance Company Europe Limited	18.08.2015
Protector Forsikring ASA	22.10.2015
Gefion Insurance A/S	27.11.2015

The following companies ceased being members: **None**

The following companies ceased being members due to merger: **None**



"A commitment to excellence and technical competence is the foundation of MIB's drive to **increase professional qualifications** within the organisation."

Statement of disclosure of information to auditors

Each of the persons who are Directors at the time when this report is approved has confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Employee policy

As the business environment becomes more complex, so the need to invest in professional development becomes ever more important. A commitment to excellence and technical competence is the foundation of MIB's drive to increase professional qualifications within the organisation and this is achieved through MIB Qualifications Framework which links promotion and progression to a level of academic or vocational qualification.

All learning and development initiatives in 2015 have ensured that MIB continues to grow and develop its people and supports them to develop the skills and experience required to carry out their duties within the changing environment in which they work.

The Bureau promotes diversity and aims to provide a working environment where all employees are valued and respected.

The contribution from each and every employee is important in achieving the Bureau's objectives and the organisation ensures there is regular communication on the business activities to keep employees up to date. Employees are rewarded for their contribution through instant, monthly and annual awards and attention is given to activities that support engagement and retention.

Charitable donations

Details of charitable donations are highlighted in the Corporate Social Responsibility note within the corporate governance statement.

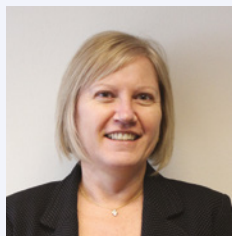
Supplier terms

Supplier terms are standard and dependant on the supplier, they range from 30 to 60 days on average.

Directors' report

Statement of Directors' responsibility

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



Wendy Budd
Company Secretary

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Group; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Board approved the Strategic report and Directors' report and these were signed on their behalf by:

A handwritten signature in black ink that reads 'W Budd'.

Wendy Budd
Company Secretary
24 May 2016

Registered Office
Linford Wood House
6-12 Capital Drive
Linford Wood
Milton Keynes
MK14 6XT



"The Directors are responsible for taking reasonable steps for the **prevention** and **detection of fraud** and other irregularities."

Corporate governance statement

A robust corporate governance framework is essential to the efficient and effective performance of MIB. It ensures the accountability, responsibility and ethical behaviour of MIB, enabling MIB's customers and business partners to have full confidence in it.

The Board

Ensuring that MIB's long-term strategy promotes the interests of our members, customers, employees and the business community in which we operate is the responsibility of the Board. In addition, the Board provides direction to MIB, supervising MIB management and maintaining control over MIB's assets. They ensure MIB operates ethically and with robust corporate governance practices.

No sole member of the Board has unrestricted powers of decision; the Board as a whole will consider matters referred to them for approval. Affairs that require specific Board approval are documented along with relevant controls: This framework also provides a reference for decisions that can be delegated to committees.

The Board comprises ten Non-Executive Directors and two Executive Directors. The Non-Executive Directors do not receive any form of remuneration in their capacity as Board members. The Executive Directors receive a salary, an annual bonus and benefits in kind. The remuneration is determined by the Board on consideration of the degree of individual responsibility, individual performance and market data.

The committees who assist the Board in fulfilling its obligations to its stakeholders are the:

- Audit and Risk Committee
- Investment Committee
- Levy Group
- Remuneration Committee
- Nomination Committee
- IT Governance Board

Audit and Risk Committee

The Audit and Risk Committee is comprised of three Non-Executive Directors. Both the Head of Audit and Head of Risk and Compliance have reporting lines to the Chair of the Audit and Risk Committee.

The Committee's functions include:

- Appointment of and removal of external auditors
- Helping the Board oversee the risk management framework
- Overseeing internal and external audit reports
- Review of management letters to monitor management's remedies of deficiencies
- Review of MIB's published financial statements
- Supervision of corporate governance policies and issues related to legal and regulatory compliance bodies

Investment Committee

The Investment Committee comprises a minimum of two Non-Executive Directors and two Executive Directors. The role of the Committee is to provide investment strategy recommendations and monitor the investment policies and procedures of the Bureau.

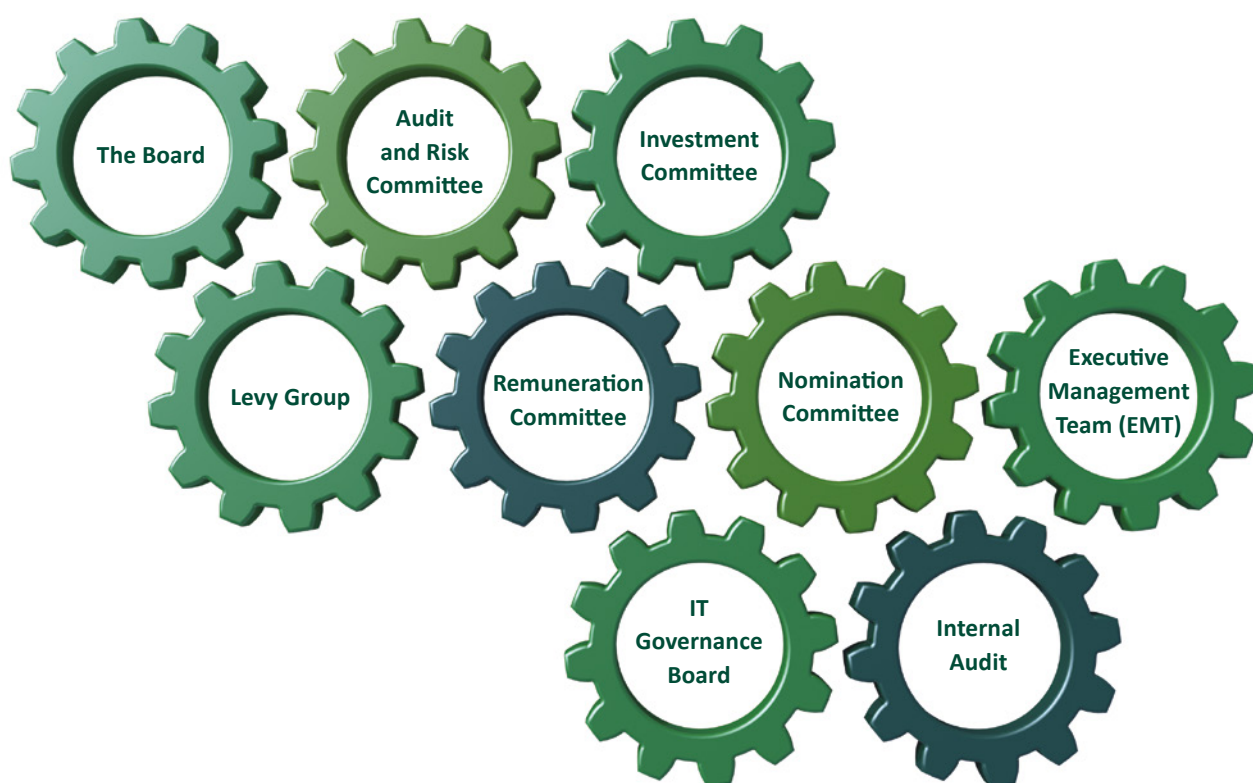
Levy Group

The Levy Group is comprised of two Non-Executive Directors, two Executive Directors, Company Secretary, appropriate representation from member companies and consultant Actuaries as appropriate. The role of the Group is to assess the levy requirements, including the amount of the annual levy and the method of apportioning this across the levy members.

Remuneration Committee

The Remuneration Committee comprises a minimum of three Non-Executive Directors. The role of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors including pension rights and compensation payments. The Committee also has oversight of the remuneration arrangements of MIB employees.

Reporting to the Remuneration Committee is the Human Resources Group; the Group oversees MIB's HR strategies and ensures that its practices and procedures are in line with those operated by members. The Group also monitors MIB's performance in respect of issues including equal pay, turnover of staff and sickness levels.



The Group is made up of a minimum of two Non-Executive Directors, two Executive Directors, the Head of HR and representatives from Members.

Nomination Committee

The Nomination Committee comprises a minimum of two Non-Executive Directors and two Executive Directors. The role of the Committee is to lead the process of selection of the most suitable candidate or candidates for appointment to the Board and to make recommendation to the Board as regards to plans for succession for both Executive and Non-Executive Directors.

IT Governance Board

The IT Governance Board comprises a minimum of five attendees, two of which must be EMT members and one Information Security & Compliance Officer. The Head of Information Services will usually Chair the meetings. The role of the Board is to ensure that the security of information under MIB's management is protected against current and emerging cyber threats and that appropriate controls are implemented to identify, protect, detect, respond and recover from any potential information security attack.

Executive Management Team (EMT)

The EMT is comprised of the Executive Directors (Chief Executive and Finance Director) and the following:

Head of Data Services, Head of Enforcement Services, Head of Customer Services, Head of Information Services, Head of Communications, Head of Technical, Head of Human Resources and the Director of Insurance Fraud Bureau (IFB). The EMT provides corporate leadership to the organisation and oversees the day to day business of MIB.

Internal Audit

MIB's in-house audit team is responsible for performing insurance and business-related audits including: claims handling quality and business leakage, ISO compliance audits and tracing audits on behalf of the Employers' Liability Tracing Office (ELTO), auditing work carried out by IFB and auditing work carried out for MedCo.

For specialist areas including Finance and IT, MIB engages the services of independent business auditors, currently KPMG. The claims handling area of the business is also audited by a Member company, on an annual basis. In 2015 the member audit was conducted by Ageas.

MIB uses a risk-based approach to help identify, prioritise and agree the areas to be audited by internal audit service providers. All audit providers present their findings and recommendations to the Audit and Risk Committee for consideration. The Audit and Risk Committee reports to the Board on any key issues that arise.

Corporate governance statement (continued)

Risk management

Good risk management is essential to the success of the Bureau. The Bureau is fully committed to ensuring that its risk management framework remains appropriate, effective and in line with the principles and good practice guidelines of the ISO 31000 risk management standard. The ISO framework provides MIB with a systematic approach to managing the risks it faces. By having risk management behaviours embedded within the culture and integrated into the key business activities the Bureau is able to respond to change effectively as new threats and opportunities emerge.

The day-to-day operation of the risk management framework sits with the Risk and Compliance team, and is overseen by the Audit and Risk Committee.

Compliance

MIB successfully renewed its ISO 27001 information security certification and ISO 22301 business continuity certification during 2015. Compliance with the new ISO 27001 and 22301 standards provide MIB with a systematic approach to manage the use, sharing and storing of data. The standards include controls over people, processes and IT systems. They also help evidence legal and best practice compliance and demonstrate to all customers and business partners of MIB that it is committed to protecting the confidentiality, integrity and availability of the data, for which MIB is responsible.

Health and safety

MIB recognises the vital importance of health and safety within the organisation. MIB operates, as far as is reasonably practical, in a manner which poses no risk to the health and safety of employees, contractors, visitors and the general public. The Facilities team carries out required risk assessments and ensures that appropriate mitigating actions are taken.

Corporate Social Responsibility (CSR)

MIB is passionate about its commitment to CSR. MIB's CSR strategy has long been focused on four key areas: Community, Workplace, Marketplace and Environment. The team of spirited volunteers from across the business continue to drive and support the strategy, working hard to ensure CSR principles always remain part of the business operations and core values.

Workplace

MIB continues to strive for excellence across the business with new learning initiatives being implemented and recognising hard work through its award schemes. Employee engagement continues to be a focus for MIB and the results of the Pulse survey continue to be positive for 2015.

Marketplace

Partnership working is crucial to MIB's success and MIB continue to work at enhancing relationships with a diverse range of stakeholders. For example, MIB has been working with the ABI and DVLA to successfully deliver the MyLicence bulk enquiry service in September 2015 and the NCD database in June 2015.

Community

During 2015 MIB continued to develop its longstanding relationship with The Children's Trust and used fundraising and volunteering skills to assist an important charity whose aims are closely related to MIB's mission to reduce the level and impact of uninsured driving in the UK.

Environment

As an environmentally responsible employer, MIB implements and maintains initiatives to reduce the impact that the business, its people and activities can have on the environment.

In 2015 MIB continued to prioritise improving its printing practices and over the last year it has successfully managed to significantly reduce the organisation's use of paper. This will continue to be a priority throughout 2016.

Communications

The coverage in the media during 2015 was focused on the need to tackle the rising claims reported to MIB with the subsequent launch of the 'Gone in Seconds' campaign. A new logo and brand identity were created for MIB and these were rolled out through the new website platform. The new website is aimed at giving visitors a better experience, improved information about all the services provided by MIB and an understanding of the work that MIB delivers.

Since the campaign launched in September 2015 it has reached more than 1.5m people via digital marketing, outdoor advertising, cinema, social media, press activity and through the dedicated campaign website www.goneinseconds.org.uk.

The millennial audience has engaged with the campaign message and through market research and social listening we are gathering valuable insight into their attitudes and views about buying insurance, the requirement to be legal as well as what they think they are responsible for when they take to the road.

The momentum from this first phase of the campaign will form the back bone of future messaging, including expanding the reach to those who influence our target audience. The communications strategy will be structured around the “paid, owned, earned and shared” framework with the main focus being to affect attitudinal change and reduce the level of uninsured and untraced drivers.

People

Our values guide employees on how they are expected to perform in their roles and support the business principles. They are the standards our employees are expected to follow and the behaviours we expect them to adopt in relation to customers, communities and colleagues. Employees' behaviour is regularly assessed to identify how they are performing against the values, which form part of our performance appraisal assessment framework.

CSR highlights in 2015 include:



Donating almost
£14,000 to The
Children's Trust



Reducing the
A4 paper usage by over
3,000 reams



Reducing MIB's
carbon footprint by
35 tonnes



Achieving a **58.0%** staff uptake to
MIB's 'Give as you earn scheme' with
80.0% uptake from new starters



Increase in identified
fraud savings of
£444,000

Gone in Seconds campaign tackles uninsured driving

While uninsured driving levels reduced from 2 million to 1 million between 2005 and 2015, out of an estimated vehicle parc of 36 million vehicles using the UK's roads, tackling and reducing uninsured driving remains a key strategic objective for MIB.

While uninsured driving levels reduced from 2 million to 1 million between 2005 and 2015, out of an estimated vehicle parc of 36 million vehicles using the UK's roads, tackling and reducing uninsured driving remains a key strategic objective for MIB.

Hence in September 2015 MIB decided to strengthen its work supporting the police on seizing uninsured vehicles, by launching its latest uninsured driving public awareness campaign. This was the first national campaign for three years.

The focus this time was on young male drivers aged between 17 and 29 years old who are estimated to account for 300,000 of the current estimated 1 million uninsured drivers in the UK. From data collected, London, Birmingham, Manchester and West Yorkshire are known to be particular 'hot spot' areas where these people 'drive uninsured'.

The campaign, called 'Gone in Seconds', was in response to a worrying rise in the number of claims coming into MIB during 2015 which, by the end of the year, was 10.8% higher than for the end of 2014.

The campaign was launched outside New Scotland Yard by MIB's Chief Executive, Ashton West, and Detective Chief Superintendent Paul Rickett, the Metropolitan Police Service's Roads and Transport Policing Command. It followed several months of planning.

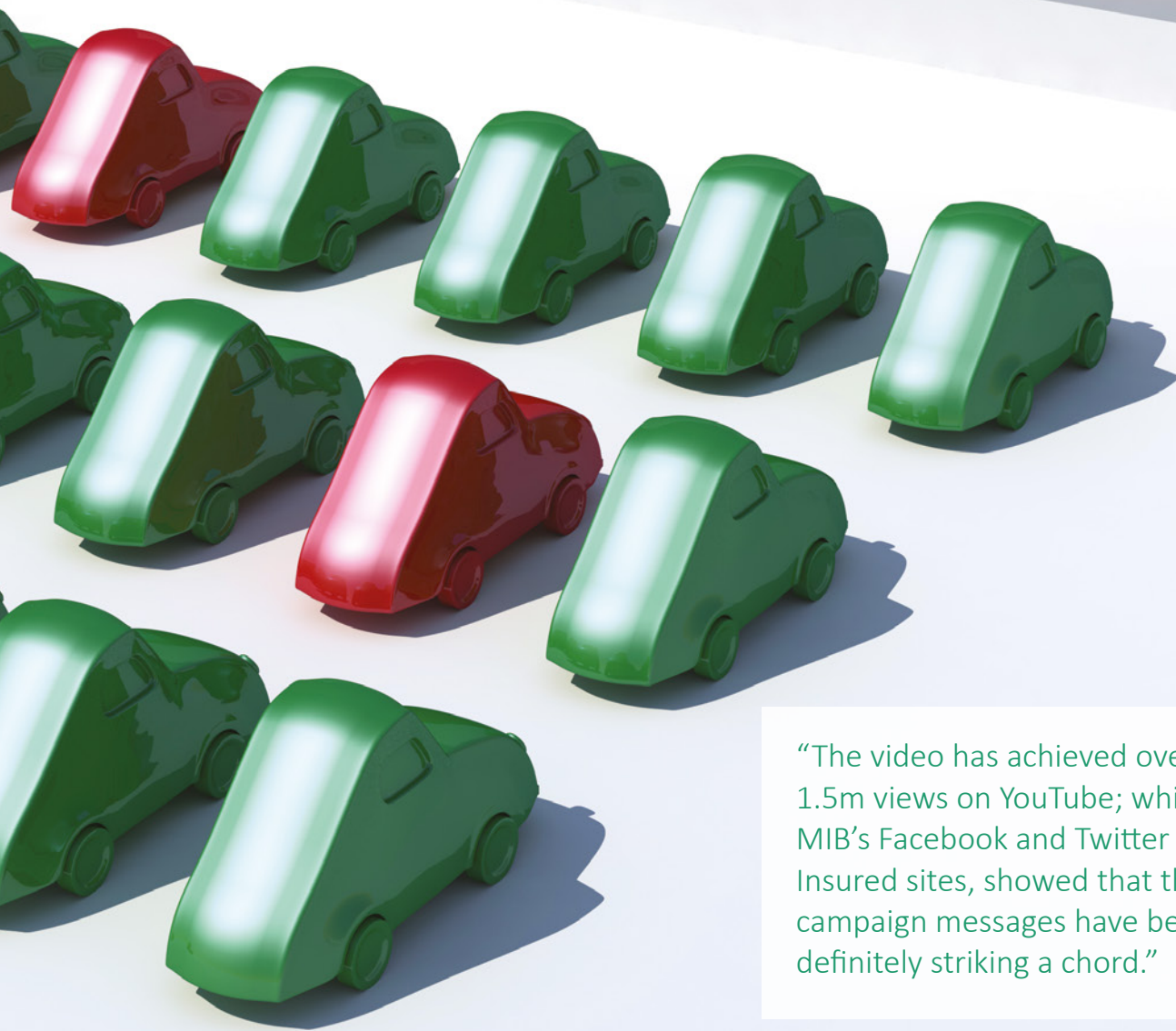
The centrepiece of the campaign is a 45 seconds video on YouTube which tells the story of a young male driver caught driving without insurance who, as a consequence, loses his car, girlfriend and friends, hence the campaign title 'Gone in Seconds'.

The launch was followed with an advertising campaign to show the video at 244 cinemas. It appeared before male youth orientated films including 'Mission Impossible – Rogue Nation', 'Straight Outta Compton' and 'The Martian'.

Stills images from the video appeared on billboard posters, while targeted digital advertising was placed to promote the video on websites and social media sites appealing to this audience.

The video has achieved over 1.5m views on YouTube; while research commissioned by MIB, together with feedback from MIB's Facebook and Twitter Drive Insured sites, showed that the campaign messages have been definitely striking a chord.





“The video has achieved over 1.5m views on YouTube; while MIB’s Facebook and Twitter Drive Insured sites, showed that the campaign messages have been definitely striking a chord.”

Vnuk – a case that might lead to some unfortunate consequences

The case of a Slovenian farmer called Damijan Vnuk has been exercising the minds of lawyers, insurance companies and government for several years now.

But during 2015 the focus shifted when the case moved from one of relative obscurity - for society at large if not the individual concerned – to something which could now potentially lead to a range of rather unfortunate consequences with repercussions across the whole of the EU.

The case started in 2007 when Mr Vnuk had the misfortune to be knocked off a ladder by a tractor trailer reversing as he was loading hay into a barn. At that point no-one could have anticipated how his accident could have escalated into something that now questions, indeed threatens, the compulsory insurance regimes of all EU countries.

Vnuk sued for compensation for the injuries he received but Slovenia's courts ruled against his claim because, in their view, the tractor was not being used for its main purpose, as a means of a transport.

However, in September 2014 the European Court of Justice disagreed and said the requirement in the EU Motor Insurance Directive was for vehicles to be insured for any use, consistent with the normal function of that vehicle. This means the accident should have been covered by compulsory vehicle insurance.

As a result, motor insurance, in the view of the court, is now required to be in place for vehicles used in all situations – not just on roads. The definition of a 'vehicle', in the words of the Directive, has a very wide meaning indeed.

MIB has been working with the ABI, the industry and the UK government to highlight what it sees as the unintended consequences of this ruling. It decided to take its concerns directly to the European Commission and meetings in Brussels followed with two UK MEPs interested in the case, Vicky Ford MEP and Ashley Fox MEP, preceded by meetings with EC officials.

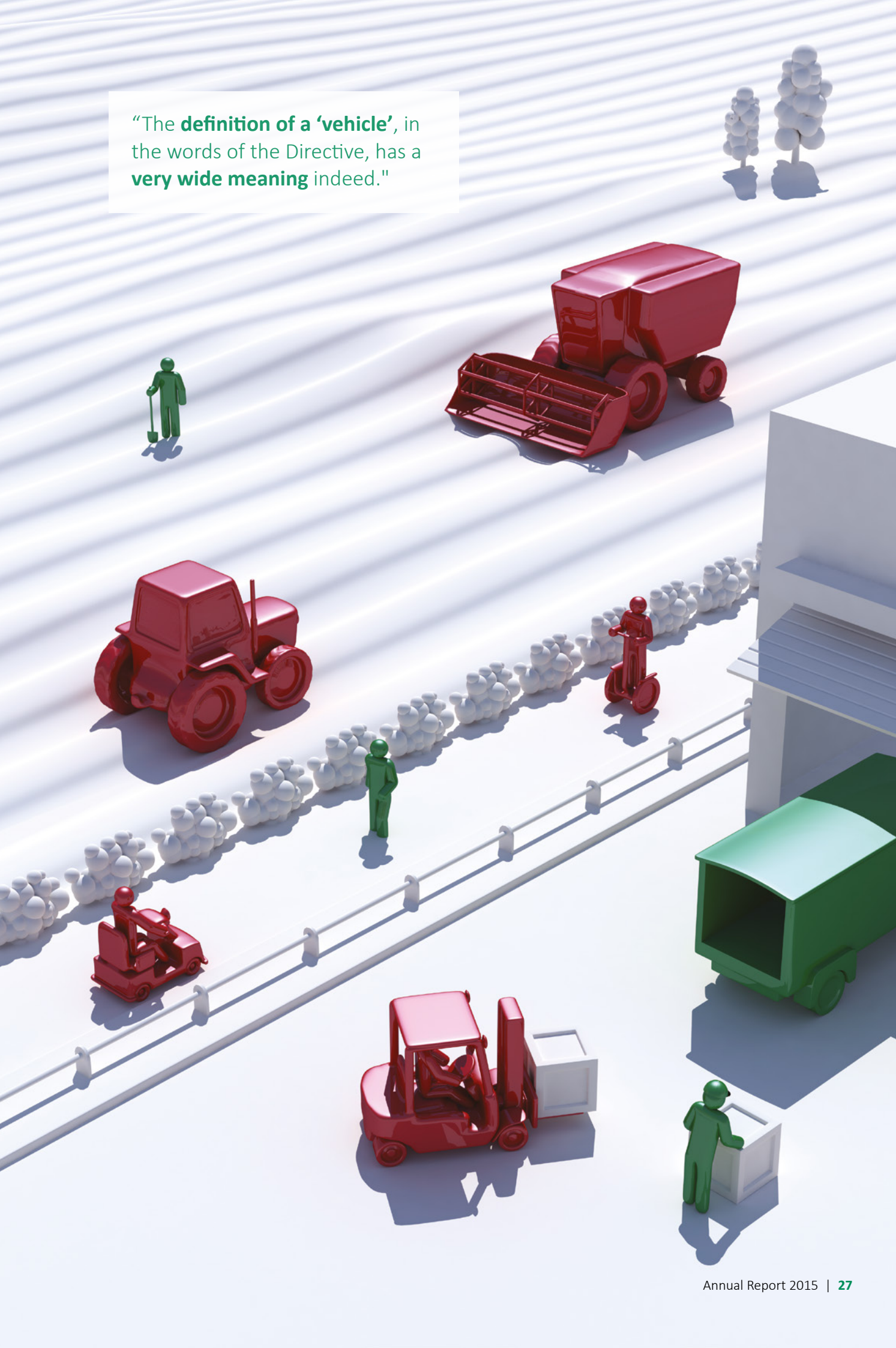
In the UK over the last ten years, a great deal of effort and resource has been spent by Government, the Police and the insurance industry on promoting a simple message to the public about the compulsory nature of motor insurance.

"motor insurance, in the view of the court, is now required to be in place for vehicles used in all situations – not just on roads."

The simplicity and effectiveness of our messages about being caught and having your vehicle seized, and the practicalities of enforcement of the compulsory nature of motor insurance, is now very much threatened by the widening of the scope of the Directive.



"The **definition of a 'vehicle'**, in the words of the Directive, has a **very wide meaning** indeed."



Adding 'values'

Within an organisation the 'values' it adopts build a culture and create a sense of purpose and belonging. They guide and inspire people throughout the organisation and reflect the ethos of the company.

MIB reviewed its own values in 2015 as they had been in place for a number of years and it was important to ensure that the values all MIB employees work to remain relevant and appropriate for the company and the environment it operates in.

MIB has a distinct focus on high ethical standards, excellent customer service and good governance in its approach to day-to-day activities and it was important to reflect these in its values.

A new set of values are now in place which are closely linked to the Chartered Insurance Institute (CII) Code of Ethics and support the MIB Chartered Insurer status. They reinforce the expectations of the industry that MIB is a part of. The values are now being embedded into the business and are incorporated into all learning and development activities.

They were launched in October 2015. Groups of employees from all areas of the business were involved in helping to define the values and this group will continue to provide support in embedding the values into MIB.

The new values are:

- We conduct ourselves in accordance with the highest ethical principles;
- We put our customers first;
- We make a difference together;
- We take pride in what we do;
- We respect each other;
- We are compliant with all relevant law and regulations.

2015 also saw the introduction of a new brand for MIB with the roll out to be completed in 2016. Brand champions have been appointed throughout MIB to act as ambassadors to ensure the new brand is presented across MIB's communication channels efficiently and correctly.

In conjunction with this, MIB's website has been refreshed and incorporates the new brand. The website imagery is known internally as the 'white world' and includes distinctive red and green vehicles and a police car which represent the 'world' of insured and uninsured driving and police enforcement MIB operates in. An animation featuring the 'white world' can be found on the MIB website which introduces and describes the new values.

"MIB has a distinct focus on high ethical standards, excellent customer service and good governance in its approach to day-to-day activities."

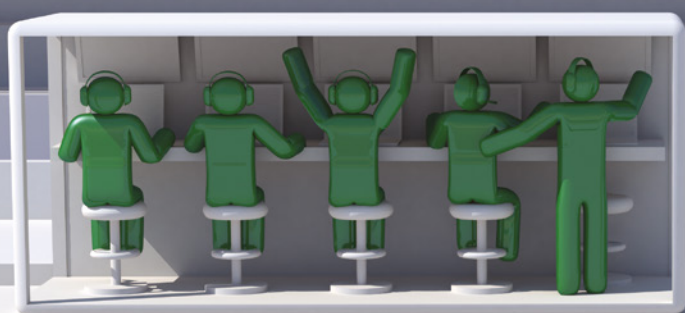
MIB remains very much aligned to the work and principles of the CII. In the December 2015/January 2016 edition of CII's The Journal magazine, Chief Executive Ashton West was interviewed about professionalism in the Insurance industry.

He discussed the need for the insurance sector to raise its game and 'achieve parity with other professions.'

For MIB, meanwhile, adding 'values' is a constant consideration and is fundamental to the success of the business and its dedicated staff.



HIGHEST
ETHICAL
PRINCIPLES



MAKE A
DIFFERENCE
TOGETHER

WE TAKE
PRIDE IN
WHAT WE DO



"An animation featuring the 'white world' can be found on the MIB website which introduces and describes the new values."

Independent auditors' report

Independent auditors' report to the members of Motor Insurers' Bureau

We have audited the financial statements of Motor Insurers' Bureau Group for the year ended 31 December 2015 which are set out on pages 32 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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' responsibility set out on page 18, 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 Boards (APB'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 web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2015 and of the Group's result for the year then ended;

- the Group 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 Company Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter(s) 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.

Alexander Barnes
Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

27 May 2016



Chairman's statement

Chief Executive's statement

Strategic report

Directors' report

Corporate governance statement

Case studies

Independent auditors' report

Financial statements

Glossary

Consolidated statement of comprehensive income

For the year ended 31 December 2015

		Consolidated		Company	
	Notes	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Income					
Leviable premium	3	281,741	307,670	281,741	307,670
Other operating income	5	6,688	5,506	4,846	3,802
Total income		288,429	313,176	286,587	311,472
Expenditure					
Net claims paid		(179,055)	(196,512)	(179,055)	(196,512)
Decrease/(Increase) in claims provision	4	(78,647)	(84,115)	(78,647)	(84,115)
		(257,702)	(280,627)	(257,702)	(280,627)
Administrative expenses	6	(34,040)	(29,941)	(32,198)	(28,237)
Actuarial (loss)/gain on retirement benefits	9	991	(3,436)	991	(3,436)
Operating profit / (loss)		(2,322)	(828)	(2,322)	(828)
Financial income	7	4,859	2,767	4,859	2,767
Financial expenses	8	(2,541)	(1,939)	(2,541)	(1,939)
Net income/(expenditure) before tax		(4)	-	(4)	-
Income tax refund / (expense)	10	4	-	4	-
Net income after tax		-	-	-	-

The Group's activities were continuing during the above two financial years.

The Group has no other comprehensive income. The net income shown above is its total comprehensive income.

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

As at 31 December 2015

		Consolidated		Company	
	Notes	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	4,172	3,645	4,172	3,645
Current assets					
Trade and other receivables	15	1,574,005	1,519,330	1,572,801	1,519,465
Cash and cash equivalents	12	12,810	4,538	9,172	4,339
Financial investments	13	92,558	72,275	92,558	72,275
		1,679,373	1,596,143	1,674,531	1,596,079
Total assets		1,683,545	1,599,788	1,678,703	1,599,724
Liabilities					
Non-current liabilities					
Retirement benefit obligations	9	10,545	11,501	10,545	11,501
Provisions	4	1,439,642	1,360,829	1,439,642	1,360,829
		1,450,187	1,372,330	1,450,187	1,372,330
Current liabilities					
Trade and other payables	14	13,391	7,344	8,549	7,280
Retirement benefit obligations	9	1,298	1,279	1,298	1,279
Provisions	4	218,669	218,835	218,669	218,835
		233,358	227,458	228,516	227,394
Total liabilities		1,683,545	1,599,788	1,678,703	1,599,724

The financial statements on pages 32 to 51 were approved and authorised for issue by the Board of Directors on 24 May 2016 and were signed on its behalf by

Steve Maddock
Chairman

Ashton West OBE
Director

The accompanying notes form an integral part of these financial statements.

Group Company Number 412787

Consolidated statement of cash flows

For the year ended 31 December 2015

		Consolidated		Company	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash flows from operating activities					
Cash generated from operations	16	23,800	4,294	20,361	5,052
Interest received		4,859	2,763	4,859	2,763
Interest paid		-	-	-	-
Tax received		4	-	4	-
Net cash flows from operating activities		28,663	7,057	25,224	7,815
Cash flows from investing activities					
Purchases of property, plant and equipment	11	(109)	(50)	(109)	(50)
Proceeds from sale of property, plant and equipment		-	-	-	-
Net change in financial investments		(20,282)	(11,621)	(20,282)	(11,621)
Net cash flows from investing activities		(20,391)	(11,671)	(20,391)	(11,671)
Cash flows from financing activities					
Repayments of borrowings	17	-	-	-	-
Net cash flows from financing activities		-	-	-	-
Net (decrease)/increase in cash and cash equivalents		8,272	(4,614)	4,833	(3,856)
Cash and cash equivalents at the beginning of the year	12	4,538	9,152	4,339	8,195
Net (decrease)/increase in cash and cash equivalents	17	8,272	(4,614)	4,833	(3,856)
Cash and cash equivalents at the end of the year		12,810	4,538	9,172	4,339

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Principal accounting policies

Basis of preparation

The Motor Insurers' Bureau Group, hereinafter referred to as "MIB", or the "Group", also referred to as the "Bureau", and the Parent Company has elected to prepare their financial statements under the historical cost convention, as modified for the revaluation of certain assets, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Companies Act 2006.

Items included in the financial statements of the Group are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The functional currency is pounds sterling.

In respect of IAS 19, the Group has elected to disclose comparative information of the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan, from adoption of IFRS.

Standards, interpretation and amendments to published international accounting standards that are not yet effective

IFRS 7 – Financial instruments disclosure: the main changes are due to the replacement of the four categories of financial asset under IAS 39 with the three under IFRS 9. All disclosures by category have to be altered to reflect the new categorisation.

IFRS 9 – Financial instruments: the main changes are to the classification and measurement of financial assets and liabilities. There are three categories of financial assets instead of the previous four being those that, are carried at amortised cost, those that are not and must be carried at fair value through the profit and loss and those being measured as fair value through other comprehensive income if the entity had a mixed business model. The measurement of financial assets has the requirement that all financial assets must initially be measured at fair value plus transaction costs that are directly attributable to its acquisition.

IAS 19 – Defined benefit schemes: the main change is the clarification of the accounting for contributions from employees or third parties that are linked to service, where the amount of the contributions is independent of the number of years of services. The amendment

states that if the contributions are independent then the contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered. If the contribution is linked to years of service the contribution continues to be recognised as part of the gross benefit attributed to the employee.

Group status

MIB is a group incorporated in the United Kingdom limited by guarantee and not having a share capital under the control of its Members. The Group is domiciled in the United Kingdom and its registered address is Linford Wood House, 6-12 Capital Drive, Linford Wood, Milton Keynes, MK14 6XT, United Kingdom. The liability of the members is limited to £5 each, in the event of the Group being wound up. The total expenditure of the Group is reimbursed by contributions received and receivable from its members. The Group therefore makes neither a profit nor does it incur a loss.

Income

Leviable premium income represents contributions receivable from Members during the year plus amounts available for call within 12 months of the statement of financial position date.

The levy uncalled represents the increase in case reserves during the year, plus the estimated value of those claims that are "incurred but not reported". This is the amount that can be levied to Members within 12 months of the statement of financial position date but only such sums will be called up in order to discharge liabilities for claims and supplementary agreement costs.

Expenses incurred on behalf of other companies are treated using the agency accounting principles.

Net claims paid

Claims paid comprise all claims and related expenses (including internal management and administrative costs of handling claims) settled during the year.

Consolidation

The following subsidiary undertakings: MIB Management Services Limited, MIB Portal Services Limited and Tracing Services Limited, have continued to be consolidated this year with consolidated Group financial statements being prepared.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment in the Parent Company.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

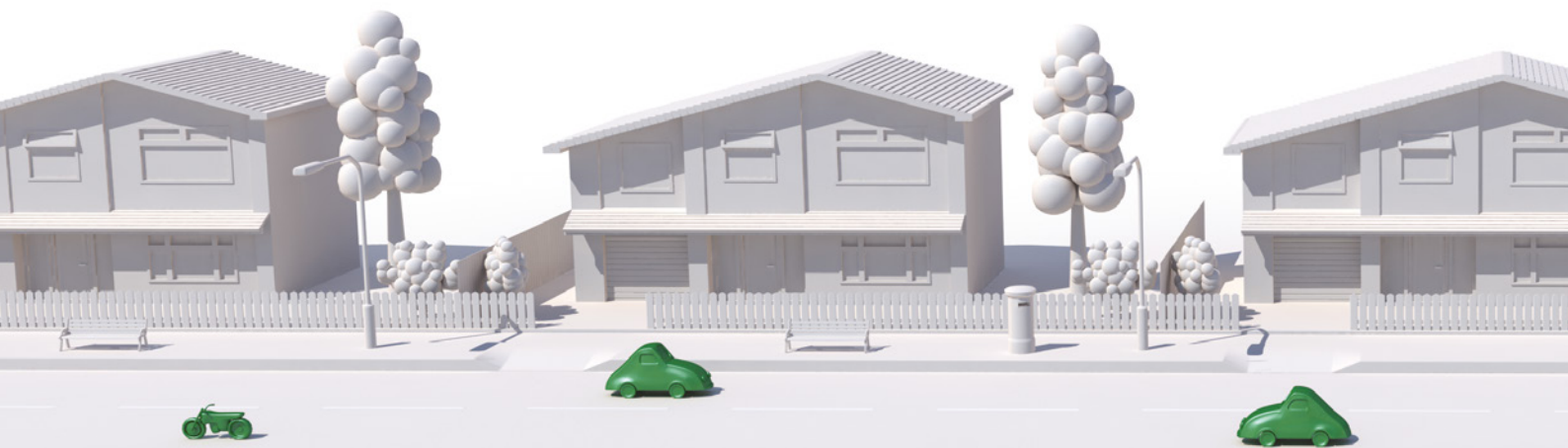
Depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

Fixtures and fittings	5 years
Motor vehicles	3 years
Computer	3 years

The residual values and useful lives are reviewed and adjusted if appropriate at each financial year end.

Freehold property is measured using the revaluation model. Revaluations are carried out Triennially to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All changes to the property's value shall be recognised in the income statement.

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.



Leases

Leases where a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made as lessees under operating leases are charged to the income and expenditure statement on a straight-line basis over the period of the lease.

There are no material finance leases affecting MIB as either lessor or lessee.

Taxation

Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and taking into account any adjustments arising from prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither accounting nor taxable income nor expenditure.

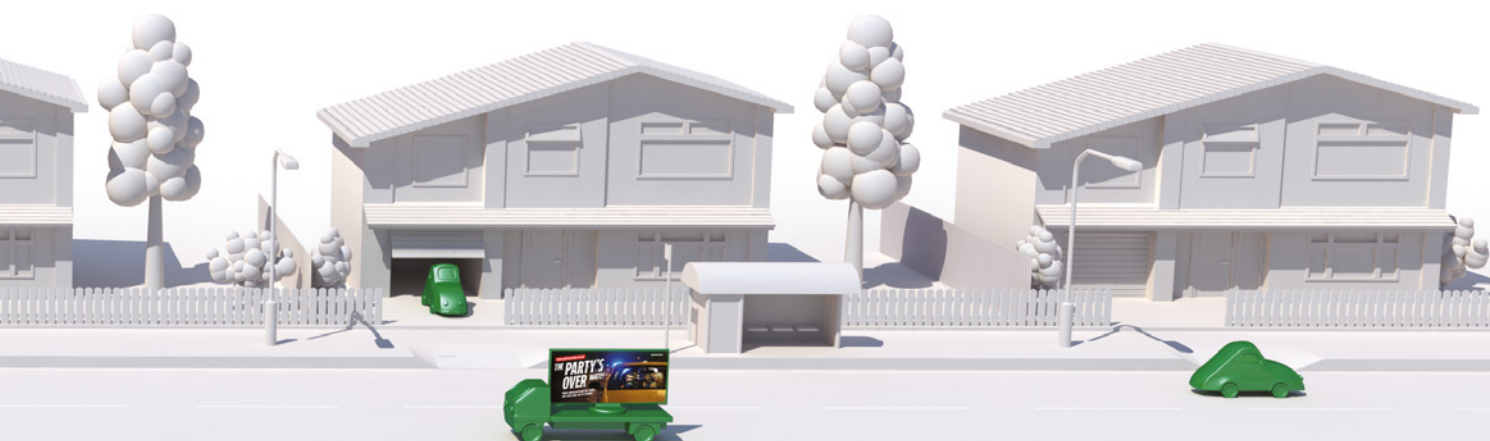
Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Retirement benefit obligations

The Group operates a defined benefit scheme and a number of defined contribution schemes.

Contributions to defined contribution pension plans are charged to the income and expenditure statement as incurred. MIB has no further payment obligations once these contributions have been paid.

For the defined benefit pension scheme, the assets are measured at their market value at the statement of financial position date and the liabilities of those schemes are measured using the projected unit credit method. The discount rate used is the current rate of return on an AA corporate bond of equivalent term and currency to the liabilities. The extent to which the scheme's assets exceed or fall short of their liabilities is shown as a surplus or deficit in the statement of financial position to the extent that a surplus is recoverable by MIB or that a deficit represents an obligation of MIB.



Notes to the financial statements (continued)

1. Principal accounting policies (continued)

The current service cost and gains and losses on settlements and curtailments are included within operating expenses in the income and expenditure statement. The expected return on pension assets and the interest on pension liabilities are included in the finance costs in the Income and Expenditure Statement. Actuarial gains and losses are recognised in full in the income and expenditure statement in the period in which they occur. This is a small departure from the requirements of IAS19 which requires certain expenditures to be passed through the Statement of Other Comprehensive Income, on the basis that MIB is a not-for-profit organisation, with no retained earnings on its Statement of Financial Position; the expenditure is therefore expensed in the year it occurs.

Investments

Government fixed interest gilts are re-valued to bid prices at the end of the year. Interest receivable is accounted for on an accruals basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and other short-term deposits with less than three months maturity from the date of acquisition.

Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

i) Provisions

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, including incurred claims that are not reported (IBNR) together with related claims settlement costs. Significant delays are experienced in the notification and settlement of claims, and the nature of claims is both complex and requires subjective assessment. Accordingly, the ultimate cost and date of future settlement of

such claims cannot be known with certainty at the statement of financial position date. Any resultant under or over provision for claims is recognised in the period in which the under or over provision is discovered, either on final settlement of the claim or on re-estimation of its ultimate cost.

The provisions carried in MIB's financial statements are similar in nature to those dealt with under IFRS 4, Insurance Contracts. Whilst MIB does not issue insurance contracts as defined in IFRS 4, the Directors are of the opinion that the standard contains the most relevant accounting guidance in relation to the valuation of MIB's provisions.

Accordingly, the basis of valuation of the provisions is as follows:

- Projections are made using standard actuarial techniques and independent actuaries are appointed for this purpose. The approach uses information relating to the Group's historical claims, payment and reserves files for each type of claim incurred up to the statement of financial position date. Projections are undertaken using the Chainladder method for each type of claim by accident year. The main assumption underlying this technique is that a Group's past claims development experience will be appropriate to project future claims development.
- The projections include allocated costs such as legal expenses.
- The provisions are undiscounted with the exception of longer term, periodical payments, which are individually discounted on a case by case basis taking an appropriate annuity factor corresponding to the assumed life expectancy.
- Future claims experience is likely to deviate from the projections. Among other reasons, this is because the ultimate claim amount will be affected by future external events, for example, the size of court awards, changes in standards of liability and the attitudes of claimants towards settlement of their claims.

ii) Levy

The MIB levy call for the year is based on an actuarial estimation carried out by independent actuaries of the likely expenditure in the year on the settlement of claims and business running costs, net of expected investment returns.

2. Employee costs and numbers

	Consolidated and Company	
Particulars of employee costs (including Executive Directors) were as follows:	2015 £'000	2014 £'000
Wages and salaries	12,172	11,114
Social security costs	1,213	1,124
Pension contributions – Defined benefit	1,212	1,247
– Defined contribution	1,012	948
Other staff costs	117	107
	15,726	14,540

Average number of employees (including Directors) were:	No.	No.
MIB claims operations (including internal audit)	203	216
MID services (including Contact Centre)	64	67
MIB/MID support	133	100
IFB	31	33
	431	416

	Consolidated and Company	
Directors' remuneration	2015 £'000	2014 £'000
The remuneration of the Directors was as follows:		
Emoluments (including benefits in kind)	475	431
Pension contributions	20	44
	495	475

Highest paid Director:		
Emoluments	296	275
Pension contributions	-	11
	296	286

Pension / lump sums received	347	-
------------------------------	-----	---

Total accrued pension entitlement per annum for highest paid Director	18	34
---	----	----

The number of Directors who were members of the Group's defined benefit scheme at the statement of financial position date was as follows:	No.	No.
Defined benefit	1	1

Key management personnel

Apart from the Executive Directors, there are a number of senior Executives (Executive Management Team) whose roles influence the ability of the Group to meet its strategic objectives. The remuneration of the Executive Management Team was as follows:

	Consolidated and Company	
	2015 £'000	2014 £'000
Emoluments (including benefits in kind)	637	697
Pension contributions	108	129
	745	826
Number of executives at the statement of financial position date	7	8

Notes to the financial statements (continued)

3. Leviable premium

	Consolidated and Company	
	2014 £'000	2014 £'000
Levy called	242,777	246,552
Surplus levy return	(15,000)	(20,000)
Movement in uncalled levy	53,964	81,118
Leviable premium	281,741	307,670

	Consolidated and Company	
	2014 £'000	2014 £'000
Movement in uncalled levy		
Increase / (decrease) in reserves provision	78,647	84,115
Other movements	(24,683)	(2,997)
Movement in uncalled levy	53,964	81,118

In order to write motor business, insurers must become a member of MIB and adhere to the terms and conditions laid out in its Memorandum and Articles of Association. The terms require each Member to pay a levy to MIB, calculated on the basis of the volume and class of business written over each financial period. The majority of the levy is collected by monthly direct debit with a right to charge interest for any late payment. Ultimately, should an insurer default or become bankrupt or insolvent, the debt can be passed to the general market for reimbursement. Therefore, non-payment of levy from a Member presents a negligible risk to the Group.

The Group has the right to call an additional levy from Members should it wish to do so. The additional levy receivable shown in Note 15 of £1,561m (2014: £1,514m) represents the estimated value of all current and “incurred but not reported” claims which can be called upon within 12 months of the statement of financial position date. Whilst this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2015 is likely to be in the order of £16bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

4. Provisions

	Consolidated and Company	
	2015 £'000	2014 £'000
Claims provision and expenditure		
Claims provision at 31 December 2015	1,658,311	1,579,664
Claims provision at 31 December 2014	(1,579,664)	(1,495,549)
Net movement in claims	78,647	84,115
Claims paid less recoveries	179,055	196,512
Claims expenditure during the year	257,702	280,627
Claims provision at 31 December 2015 – non current	1,439,642	1,360,829
Claims provision at 31 December 2015 – current	218,669	218,835
	1,658,311	1,579,664

The Group recognises that it is impossible to predict future claims payable with absolute certainty. To this end, the Group has over time, developed a methodology that is aimed at establishing provisions that have a reasonable likelihood of being adequate to settle all its obligations.

Process used to determine significant assumptions:

Claim provisions

The Group's outstanding claims liability includes notified claims as well as incurred but not yet reported claims.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the claimant or other sources and past experience with similar claims. The Group rigorously applies standardised policies and procedures around claims assessment.

The ultimate cost of the reported claims may vary as a result of future developments or better communication becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available.

Claims Incurred But Not Yet Reported (IBNR)

This represents the total liability of unpaid claims that have occurred but have not been reported to the Group at the accounting date. Current and historical data relating to claims, payments and reserves is gathered by accident year up to and including 31 December 2015. The data is used to project the cost of future claims using generally accepted actuarial techniques. The IBNR provision for 2015 is £169.9m (2014: £145.0m).

Claims Incurred But Not Enough Reported (IBNER)

The IBNER provision for 2015 is (£47.6m) (2014: (£11.5m)). This represents an adjustment for the anticipated improvements in known estimates in claims relating to accidents which have been notified before the end of the accounting period.

Discounting of long-term provisions

A number of high value claims are settled by way of periodical payments. These are long-term structured settlements agreed by the claimant and the Group whereby the claimant receives on-going payments,

largely towards future care costs for the entirety of his or her life. Each structured settlement includes the provision for future increases linked either to the Retail Price Index (RPI) or the Annual Survey of Hourly Earnings (ASHE).

These structured settlements are assessed on a case-by-case basis to establish the future liability and are included within the overall claims provision. Due to the nature of these claims, a discount factor of 1.0% is applied to cases linked to RPI increases whilst a discount factor of -0.75% is applied to cases linked to ASHE increases.

The discounting of these claims had the following impact on the value of provisions as at 31 December 2015:

	Consolidated and Company	
	2015 £'000	2014 £'000
Gross reserves	379,640	323,762
Net discount with discount factor	19,960	58,164
Net reserves	399,600	381,926

As cases relating to ASHE have a negative discount factor and that almost all of the cases discounted have an ASHE index applied to them, the overall impact is to increase the reserves.

Exposure to claims

The Group recognises the exposure and risk to fraudulent claims, both internally and externally. This is reviewed as part of the on-going risk analysis undertaken by MIB Management. The Group is committed to ensuring the risk in this area is minimised and has invested in resources and technology to reduce the overall exposure.

All settled claims are referred to the Recoveries team at MIB to assess the feasibility of recovering losses. Where recovery is possible, the Group will work with appointed recovery agents to agree a settlement structure with the uninsured driver.

Notes to the financial statements (continued)

5. Other income

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
General enquiries	17	20	17	20
Additional levy	5	-	5	-
Electronic vehicle licence fees	34	29	34	29
Third party MID enquiries	683	655	683	655
Fees for management services	5,949	4,750	4,107	3,046
Recovery from administrators	-	52	-	52
Other income	6,688	5,506	4,846	3,802

6. Administration expenses

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Claims related fees	2,808	3,108	2,808	3,108
Operational services	29,152	24,762	29,028	24,746
Rechargeable expenses	1,718	1,688	-	-
Operating lease costs	107	120	107	120
Depreciation	109	113	109	113
Auditors' remuneration – audit	62	70	62	70
– taxation	4	6	4	6
Council of Bureaux fees	80	74	80	74
	34,040	29,941	32,198	28,237

The cost incurred by Motor Insurers' Bureau in connection with the International Council of Bureaux is the contribution paid on behalf of the United Kingdom.

7. Financial income

	Consolidated and Company	
	2015 £'000	2014 £'000
Bank deposit interest	50	62
UK gilt interest	2,345	2,564
Other interest earned	2,464	141
	4,859	2,767

8. Finance expenses

	Consolidated and Company	
	2015 £'000	2014 £'000
Gilt transactions	86	76
Decrease in market value of gilts	1,970	1,396
Pension costs – IAS 19	485	467
	2,541	1,939

9. Retirement benefit obligations

The Group operates a defined benefit pension scheme based on final pensionable earnings. The funds are administered by trustees and are independent of the Group's finances. This was closed to new employees on 1 January 2004. An alternative stakeholder scheme is in operation for all new employees to join.

The scheme is subject to a triennial valuation carried out by Scottish Widows, the scheme's independent actuaries, the most recent being as at 1 January 2015 on the projected unit basis. This valuation has been updated by the independent actuaries for the purposes of IAS 19 in order to assess the assets and liabilities of the scheme as at 31 December 2015.

Contributions to the scheme are made on the advice of the actuaries with the objective that the benefits be fully funded during the scheme members' average working lives. This valuation indicates that the scheme is 58.4% funded. The market value of the scheme's assets at the valuation date was £16,625,000. The pension cost for the year was £1,212,091 (2014: £1,247,010). As at 1 April 2016 the continuing pension cost was set at 38.4% of pensionable salaries (rising by 1.0% on 1 January 2019 and 0.6% annually thereafter) plus a fixed deficit funding amount of £1,009,000 per annum.

The principal assumptions used in updating the valuation are set out below:

	2015 % pa	2014 % pa	2013 % pa	2012 % pa	2011 % pa
Discount rate	4.0	3.6	4.6	4.3	4.9
Expected rate of future salary increases	3.8	3.5	3.9	3.4	3.5
Expected rate of future pension increases	3.2	3.0	3.3	2.9	3.0
Underlying expected inflation rate	3.4	3.1	3.5	3.0	3.1

The market value of assets in the scheme were £16,625,000 (2014: £16,044,000; 2013: £14,727,000; 2012: £13,171,000; 2011: £11,714,000).

The derivation of the overall expected return on assets reflects the actual asset allocation at the measurement date combined with an expected return for each asset class. The bond return is based on the prevailing return available on fixed interest gilts. The return on equities

and property is based on a number of factors including:

- The income yield at the measurement date;
- The long-term growth prospects for the economy in general;
- The long-term relationship between each asset class and bond returns; and
- The movement in market indices since the previous measurement date.

The categories of scheme assets and their expected long-term rates of return, measured in accordance with the requirements of IAS19 are as follows:

	Fair value				
	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Equities	6,115	6,304	6,029	5,506	5,114
Bonds	2,988	2,763	2,651	2,100	1,927
Property	882	914	824	746	717
Other	6,640	6,063	5,223	4,819	3,956
Fair value of assets	16,625	16,044	14,727	13,171	11,714
Present value of liabilities	(28,468)	(28,824)	(24,120)	(23,459)	(19,454)
Related deferred tax	-	-	-	-	-
Net pension liability	(11,843)	(12,780)	(9,393)	(10,288)	(7,740)

Notes to the financial statements (continued)

9. Retirement benefit obligations (continued)

The movement in the deficit over the period is as follows:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Deficit at 1 January 2015	(12,780)	(9,393)	(10,288)	(7,740)	(7,783)
Current service cost	(834)	(783)	(803)	(732)	(896)
Contributions	1,265	1,299	1,333	1,378	1,309
Other finance cost	(485)	(467)	(477)	(499)	(668)
Actuarial gain/(loss)	991	(3,436)	842	(2,695)	298
Deficit at 31 December 2015	(11,843)	(12,780)	(9,393)	(10,288)	(7,740)

Analysis of the amount charged to administrative expenses:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Current service cost	834	783	803	732	896
Past service cost	-	-	-	-	-
Gains on settlements and curtailments	-	-	-	-	-
Total operating charge	834	783	803	732	896

Analysis of the amount credited to other finance costs:

Interest income on plan assets	-	-	-	(454)	(398)
Administration costs (excl. asset management costs)	33	33	36	-	-
Interest on liabilities	452	434	441	953	1,066
Other finance costs	485	467	477	499	668
Total charge for year	1,319	1,250	1,280	1,231	1,564

The Group has recognised actuarial gains and losses through the income and expenditure statement rather than a statement of recognised income and expenditure. This is because the Group does not hold retained reserves.

The following analysis has been recognised in the income and expenditure statement

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Return on plan assets less interest income on plan assets	(593)	(80)	126	93	(802)
Experience gains and losses arising on liabilities	237	876	194	(283)	120
Changes in assumptions underlying the present value of the liabilities	1,347	(4,232)	522	(2,505)	980
Total actuarial gain/(loss)	991	(3,436)	842	(2,695)	298

Amounts recognised in the statement of financial position:

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Present value of funded obligations	(28,468)	(28,824)	(24,120)	(23,459)	(19,454)
Fair value of assets	16,625	16,044	14,727	13,171	11,714
Net liability recognised in the statement of financial position	(11,843)	(12,780)	(9,393)	(10,288)	(7,740)

The Group expects to contribute £1,058,000 to the defined benefit scheme in 2016. Actual return on plan assets for 2015 was (£4,000) (2014: £614,000).

Sensitivity Analysis

Assumption	Estimated increase/ (decrease) to obligation		Estimated increase/ (decrease) to obligation	
	Plus	£'000	Minus	£'000
Discount rate	0.1%	(654)	0.1%	674
RPI	0.1%	357	0.1%	(350)
CPI	0.1%	131	0.1%	(131)
Salary	0.1%	114	0.1%	(114)
Life expectancy	1 year	(865)	1 year	863

10. Taxation

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
UK corporation tax	4	-	4	-
Adjustment in respect of prior periods	-	-	-	-
	4	-	4	-
Factors affecting the tax charge for the period				
Income on ordinary activities before taxation	(4)	-	(4)	-
Standard rate of corporation tax of 20.25% (2014: 21.5%)	(1)	-	(1)	-
Effects of:				
Non-deductible expenses	2	1	2	1
Depreciation in excess of capital allowances	(14)	(1)	(14)	(1)
Losses carried forward	13	-	13	-
Other deductions	4	-	4	-
	4	-	4	-

The Group has a deferred tax asset of approximately £46,000 (2014: £82,000) which is not recognised on the grounds that there is insufficient evidence that the asset will be recoverable against suitable taxable income.

11. Property, plant and equipment – Consolidated and Company

	Freehold property £'000	Fixtures & fittings £'000	Computers £'000	Total £'000
Cost				
At 1 January 2015	3,892	712	1,753	6,357
Additions	-	64	45	109
Disposals	-	(1)	-	(1)
Revaluation	522	-	-	522
At 31 December 2015	4,414	775	1,798	6,987
Depreciation				
At 1 January 2015	464	628	1,620	2,712
Charge for year	-	24	79	103
Disposals	-	-	-	-
At 31 December 2015	464	652	1,699	2,815
Net book value				
At 31 December 2015	3,950	123	99	4,172
At 31 December 2014	3,428	84	133	3,645

The revaluation was undertaken by an independent valuer effective 31 December 2015. If the property was to be carried under the cost model the value would be £3,725k.

Notes to the financial statements (continued)

12. Cash and cash equivalents

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash at bank and in hand	12,810	4,538	9,172	4,339
	12,810	4,538	9,172	4,339

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

13. Financial investments – Consolidated and Company

	2015 £'000	2014 £'000
UK Government gilts	92,558	72,275

The carrying amounts of these assets approximate their fair value. UK Government gilts are valued at bid market price as at 31 December 2015.

Additionally, the company owns £1 investment in each of its four subsidiaries. See note 19 for details.

14. Trade and other payables

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables	506	227	72	163
Advanced levy payments	3,181	3,896	3,181	3,896
Levy refund due to Members	-	-	-	-
Accrued expenses	2,728	1,390	2,728	1,390
Other payables	6,976	1,831	2,568	1,831
	13,391	7,344	8,549	7,280

15. Trade and other receivables

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Additional levy receivable	1,568,116	1,514,021	1,568,116	1,514,021
Other trade receivables	3,486	3,979	2,856	3,416
Prepayments	634	542	634	542
Other receivables	1,769	788	1,195	1,486
	1,574,005	1,519,330	1,572,801	1,519,465

16. Reconciliation of operating profit to net cash inflow from operating activities

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Inflows from operating activities				
Operating profit / (loss)	(2,322)	(828)	(2,322)	(828)
Depreciation charges	103	113	103	113
Revaluation	(522)	-	(522)	-
Interest paid	-	-	-	-
Profit on sale of tangible fixed assets	(1)	-	(1)	-
(Increase) / Decrease in trade and other receivables	(47,616)	(81,395)	(46,277)	(80,751)
Increase / (Decrease) in trade and other payables	6,047	838	1,269	952
Increase / (Decrease) in provisions and other liabilities	70,652	87,505	70,652	87,505
Finance costs	(2,541)	(1,939)	(2,541)	(1,939)
	23,800	4,294	20,361	5,052

17. Reconciliation of opening to closing net debt

Reconciliation of opening to closing net debt - Consolidated	At 01.01.14 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.14 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.15 £'000
Cash and cash equivalents	9,152	(4,614)	-	4,538	8,272	-	12,810
Bank overdraft	-	-	-	-	-	-	-
	9,152	(4,614)	-	4,538	8,272	-	12,810
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	9,152	(4,614)	-	4,538	8,272	-	12,810

Reconciliation of opening to closing net debt - Company	At 01.01.14 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.14 £'000	Cash flows £'000	Other non-cash changes £'000	At 31.12.15 £'000
Cash and cash equivalents	8,195	(3,856)	-	4,339	4,833	-	9,172
Bank overdraft	-	-	-	-	-	-	-
	8,195	(3,856)	-	4,339	4,833	-	9,172
Debt due within 1 year	-	-	-	-	-	-	-
Debt due after 1 year	-	-	-	-	-	-	-
Net debt	8,195	(3,856)	-	4,339	4,833	-	9,172

Notes to the financial statements (continued)

18. Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	Consolidated and Company	
	2015 £'000	2014 £'000
Within 1 year	77	144
Later than 1 year and less than 5 years	58	163
Total operating lease commitments	135	307

19. Subsidiaries

Details of the Parent Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Ownership	Net assets £	Net profit after tax
Tracing Services Limited	Provision of Administration services	England and Wales	100%	1	-
MIB Portal Services Limited	Holding Company	England and Wales	100%	1	-
MIB Management Services Limited	Provision of Administration services	England and Wales	100%	1	-
Name of related entity	Principal activity	Place of incorporation	Ownership	Net assets £	Net profit after tax
Claims Portal Limited	Maintenance of Portal database	England and Wales	50%	2	-

The Group owns 50% of Claims Portal Limited but does not have control over its management; therefore, Claims Portal Limited has not been consolidated in these financial statements.

20. Related parties

Balances and transactions between the company and its subsidiaries, which are related parties to the Group, have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Group and other related parties are disclosed below.

The MIB Board comprises of two Executive Directors from the Group and a majority of non-Executive Directors who are senior members of the motor insurance industry. The non-Executive Directors do not receive any form of remuneration for the services they provide in their capacity as Board members. There are no other transactions between the non-Executive Directors and the Group. There was no involvement from the non-Executive Directors over the claims and reserving function.

From time to time, MIB, during its general course of business, may engage in a member's services. These services, including the provision of insurance, are undertaken on an arm's length basis.

During the year the Group provided management services to Claims Portal Limited, a company incorporated in England and Wales in which A Sherman was a Director until October 2015, totalling £2,119,772 (2014: £1,592,931). Additionally, MIB has provided a

guarantee to a third party supplier in respect of fees due from Claims Portal Limited, a company 50% owned by a subsidiary of MIB (MIB Portal Services Limited), where the estimated annual fees payable are in the order of £1,000,000. This contract expires in 2021.

As at 31 December 2015 the Group was owed £857,509 (2014: £1,795,874) from Claims Portal Limited.

During the year the Group provided management services to the Insurance Fraud Bureau Limited, a company registered in England and Wales in which A West is a Director, totalling £4,317,326 (2014: £2,981,370).

As at 31 December 2015 the Group was owed £534,336 (2014: £281,311) from Insurance Fraud Bureau Limited.

During the year the Group provided management services to Insurance Database Services Limited, a company incorporated in England and Wales in which A West is a Director, totalling £861,874 (2014: £817,662).

As at 31 December 2015 the Group was owed £113,831 (2013: £81,728) from Insurance Database Services Limited.

21. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Reserving risk

The Group has a risk management function that manages and continuously monitors the financial risks relating to the Group's operations. The Group's senior management meets regularly to review and, if appropriate, approve the implementation of optimal strategies for effective management of financial risk. The process includes documentation of policies, including limits, controls and reporting structures.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Outputs from regular and ad hoc reviews are reported to the Board of Directors who assume overall responsibility for the establishment and oversight of the Group's risk management framework.

Notes to the financial statements (continued)

Financial risk management (continued)

Credit risk

The Group is exposed to credit risk if an insurer or counterparty to a financial instrument fails to meet its contractual obligations, resulting in financial loss to the Group. Credit risk consists mainly of cash deposits, cash equivalents, trade receivables and the right to call additional amounts from the motor insurance market.

An Investment Committee is in place to recommend strategies and monitor the investment policies and practices of the Bureau and report to the Board. All new placements of funds are either placed through cash deposits with institutions agreed in accordance to an approved counterparty list that have a credit rating of at least F1 from Fitch and within absolute counterparty limits, or through UK Government gilts, with maturity dates within a short-term timeframe.

The Group's trade receivables largely consist of levy due from insurers. In order to write motor business, insurers must become a Member of MIB and adhere to the terms and conditions laid out in its Memorandum and Articles of Association. The terms require each

member to pay a levy to MIB, calculated on the basis of the volume and class of business written over each financial period. The majority of the levy is collected by monthly direct debit with a right to charge interest for any late payment. Ultimately, should an insurer default or become bankrupt or insolvent, the debt can be passed to the general market for reimbursement. Therefore, non-payment of levy from a member presents a negligible risk to the Group.

The Group has the right to call an additional levy from members should it wish to do so. The additional levy receivable shown in Note 15 of £1,561m (2014: £1,514m) represents the estimated value of all current and "incurred but not reported" claims which can be called upon within 12 months of the statement of financial position date. Whilst this represents a significant amount within the statement of financial position, the risk of non-payment is considered unlikely given that the overall premium income generated by the motor insurance market in 2015 is likely to be in the order of £16bn. Therefore, a risk would only be presented if the entire motor insurance market was to fail.

Liquidity risk

In order to mitigate any liquidity risk, the Group's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The levy call for each year is estimated through actuarial techniques carried out by independent actuaries. This involves the analysis of historical data in relation to the volume and type of claims reported and the value of settlements by accident year. Factors such as claims inflation are taken in to account to establish trends and projections for future claims payments which, ultimately, decide the levy amount each year.

Cash forecasts identifying the liquidity requirements of the Group are produced and reviewed regularly to ensure sufficient financial headroom exists to meet future obligations. The levy is collected over twelve instalments on the first working day of each month and placed in instant access cash deposits and call accounts. Any surplus amounts left at the end of the month are invested in government fixed interest gilts. Cash deposits are invested for a period no longer than 31 days. Cash deposits are managed such that there is sufficient liquidity each month to meet any unexpected liabilities.

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash in hand and bank deposits				
Total cash in hand	12,810	4,538	9,172	4,339

Market risk

Interest rate risk arises from the Group's borrowings and cash deposits it holds with banks and building societies.

At the date of the statement of financial position, the Group held cash deposits with banks which were available on demand. The remainder of investments

were invested in government fixed interest gilts.

During the year, a number of cash deposits held with banks and building societies for a maximum period of 365 days matured and were reinvested in Government fixed interest gilts. The following table illustrates the change in bank deposit interest receivable in a change in interest rate upon inception of +2% and -2% with effect from beginning of the year based on weighted averages.

	2015			2014		
	Actual £'000	+2% £'000	-2% £'000	Actual £'000	+2% £'000	-2% £'000
Interest receivable	50	377	-	62	434	-

Note: Interest rate capped at -2% from the actual weighted rate or if this produces a negative figure this is taken to be 0%.

Reserving and foreign exchange risk

Case reserves are estimated based on the available information at any given time. There is a risk that individual case reserves may not be adequately provided for due to the lack of information available. However, reserves are individually reviewed and adjusted accordingly as and when new information is provided to the Group. A reserving policy exists within the Group to ensure case reserves are kept up-to-date and to minimise any risk in the understating of reserves.

The Group is potentially exposed to currency risk arising from the recording and reporting of accidents occurring outside the UK under the Green Card Agreement. Accidents occurring in an EU participating country are reported to the Group with an estimate of an appropriate reserve in that country's base currency, primarily the Euro. This amount is converted to Sterling at the spot rate at the time of notification and recorded within the Group's reserves. Any notification of a change in reserve thereafter is appropriately adjusted, with the total reserve amount for that claim being converted at the new spot rate. However, there are claims where a reserve is not provided by

the participating country. In this instance, a standard reserve amount is set. Claims are eventually settled in the appropriate currency, which is then converted and recorded in Sterling at the spot rate applicable at the date of transaction.

The value of Green Card claims with such exposure is £61.0m (2014: £62.0m) of which £2.0m represents cases where a standard reserve amount has been set (2014: £1.9m). Therefore, the maximum potential exposure to currency risk is £70.3m, which represents 4.9% of the overall case reserves. If Sterling was to either strengthen or weaken by 25 points against the Euro at the statement of financial position date, the potential impact on reserves would be a reduction of £16.4m (2014: £21.2m) or an increase of £11.3m (2014: £6.9m), based on an exchange rate of 1.358610 (2014: 1.287045) Euros to £1 Sterling.

Capital management

The Bureau remains a group limited by guarantee, without a share capital. The Group does not consider that it has capital or equity under its management as defined by IAS 1. Accordingly, there are no capital management policies.

Glossary

AskCUEPI

The askCUEPI system, providing information specified in the CPR (Civil Procedure Rules) to claimant lawyers, was launched in May 2015. This web-service facility enables claimant representatives to check the number of previous personal injury claims of their clients.

askMID.com

Two convenient and easy to use online services are available through www.askMID.com. The first is free and allows anyone to check their vehicle registration appears on the Motor Insurance Database (MID). The second is a low-cost service for legal professionals and anyone whose property has been damaged in an accident, to check the insurance details of the third party vehicle.

Claims leakage

Claims leakage is an important financial indicator of quality in the claims settlement process and is the level of money lost as a result of actions such as inefficient processing, improper payment, human error and poor decision-making. MIB refers to it as “any payment in excess of what a top-quartile experienced claims handler would have obtained with realistic information and available resources by applying best practice principles”.

Claims lifecycle

Every claim goes through a progressive cycle, from the date the claim is notified to the date the claim is closed or settled, this is called the “lifecycle of a claim.”

Claims Portal

The electronic Claims Portal facilitates the Ministry of Justice’s “fast track” Protocol for processing low value personal injury claims with a value up to £25,000 for:

- Road Traffic Accident (RTA) cases
- Employers' Liability (EL) cases (excl. mesothelioma)
- Public Liability (PL) cases (excl. disease)

The Claims Portal provides the swift, secure, electronic exchange of all relevant claim information and related documentation between claimant lawyers and insurers/compensators; enabling key decisions to be communicated quickly, securely and efficiently to the agreed MOJ timescales.

Continuous Insurance Enforcement (CIE)

CIE is aimed at overcoming the problem of vehicles, not specifically covered by any insurance policy (even a blanket policy), being used by drivers. This means that vehicles, whether they are being driven or not, will require insurance. The scheme is enforced using the Motor Insurance Database (MID) - the central record of insurance - and vehicles do not need to be seen on the roads before action can be taken. The two main exemptions are where a vehicle has been statutorily declared off the road (SORNed) or a change of keeper is in the process of being completed by the DVLA.

Employers' Liability Database (ELD)

The ELD launched in April 2011 and contains all new and renewed Employers' Liability (EL) insurance policies; policies from before April 2011 which have new claims made against them and policies that have been and will continue to be identified through the Employers' Liability Tracing Office (ELTO) tracing service. The ELD will also capture additional information such as Employer Reference Numbers (ERNs) for employers, which should make search results more thorough.

Employers' Liability Tracing Office (ELTO)

ELTO is a not-for-profit organisation set up to provide claimants and their representatives with quick and easy access to a central database of Employers' Liability (EL) policies through an online enquiry facility that helps them to find their employer's EL insurer. ELTO has replaced the previous voluntary Employers' Liability Code of Practice (ELCOP) tracing service, which was in place since 1999 and helped thousands of claimants trace the EL insurer to pursue a claim.

Green Card

MIB acts as the UK Green Card Bureau and supports motorists making claims after an accident with a foreign vehicle in the UK. It is also the UK Compensation Body and can be contacted if a UK resident has an accident abroad with a foreign vehicle.

Guarantee Fund

MIB's handling of claims is governed by agreements with Government as well as the Road Traffic Act 1988 and subsequent regulations. The Bureau awards compensation, where it cannot be claimed from another source, for death, injury and property damage

as a result of an accident with a motor vehicle, on a road or a public place. MIB's claims handling experts managed more than 25,000 claims in 2012 for accidents involving uninsured vehicles and seek to settle the claims fairly and promptly.

Insurance Database Services Limited (IDSL), the Claims Underwriting Exchange (CUE) and Motor Insurance Anti-Fraud and Theft Register (MIAFTR)

The Claims and Underwriting Exchange (CUE) is a central database of motor, home and personal injury/industrial illness incidents reported to insurance companies, which may, or may not give rise to a claim. CUE is managed by not-for-profit company Insurance Database Services Limited (IDSL) on behalf of its member organisations. These include all major insurers and many self insured organisations such as local authorities, passenger carriers and transport companies.

The Motor Insurance Anti-Fraud and Theft Register (MIAFTR) is a database that logs all total loss and theft of vehicle claims and is held at the Association of British Insurer's (ABI) office. Both companies and Lloyd's participate in the scheme which assists in the tracing and recovery of vehicles.

Insurance Fraud Bureau Limited (IFB) and Cheatline

The Insurance Fraud Bureau (IFB) is a not-for-profit organisation funded by the insurance industry, specifically focused on detecting and preventing organised and opportunistic insurance fraud. The IFB runs a free and confidential Cheatline for anyone who has information about insurance fraud. This information can be passed to them through their Cheatline facility either online (at www.insurancefraudbureau.org/report) or by calling 0800 422 0421.

Levy

MIB compensates victims of road accidents caused by uninsured or untraced drivers and this work is governed by two documents: the Uninsured and the Untraced Drivers' Agreements. Organisations writing motor insurance are required to become Members of MIB and contribute by means of a levy.

Independent actuaries calculate the annual levy value by estimating the likely cost of settling claims plus business running costs, net of expected investment

returns. This becomes the levy call and Members contribute based on the amount and type of business they have written. The bigger the market share a Member has, the higher the amount of levy payable.

The levy uncalled represents the movement in case reserves during the year, plus the estimated value of those claims that are "incurred but not reported" at the statement of financial position date. This is the amount that can be levied to Members within twelve months of the statement of financial position date and only such sums to discharge liabilities for claims and supplementary agreement costs will be called up. MIB is a not-for-profit group and so the additional levy uncalled is treated as income so as to meet our additional obligations arising from the movement in reserves.

The leviable premium represents the sum of the levy call and the levy uncalled that year.

MedCo Registration Solutions

MedCo is a Ministry of Justice (MoJ) initiative which involves MIB building a web-service facility for claimant representatives to identify, through a random allocation process, a medical practitioner or Medical Reporting Organisation (MRO) to undertake a medico-legal report. This is part of the MoJ reform of the civil justice process for personal injury claims.

MIB Management Services Limited (MIBMSL)

MIBMSL provides management services including staffing, administration and financial services to the Insurance Fraud Bureau Limited (IFB), Claims Portal Limited, MedCo Registration Solutions (MedCo) and Insurance Database Services Limited (IDSL). All costs incurred by MIB are recharged to the IFB, MedCo, Claims Portal Limited and IDSL via MIBMSL.

Motor Insurance Database (MID)

Under the 4th EU Motor Insurance Directive, member countries are required to improve the ease of handling cross border claims within Europe. To meet its obligations, each country is required to maintain a register of all insured vehicles. The UK's version of such a system is provided through the Motor Insurance Database (MID).

The MID is the only central record of all insured vehicles (38 million) in the UK. The MID is updated daily by all UK insurers, which are required to meet targets

Glossary (continued)

for timeliness and accuracy set by the Department for Transport.

The MID is used by the Police to identify and seize vehicles being driven without insurance. It is also used by DVLA to electronically check a vehicle's insurance every time a person applies online or by telephone for vehicle tax.

The MID is becoming the most important tool to reduce the level of uninsured vehicles in the UK. Since 2011, the MID has been used to support the delivery of CIE.

MyLicence

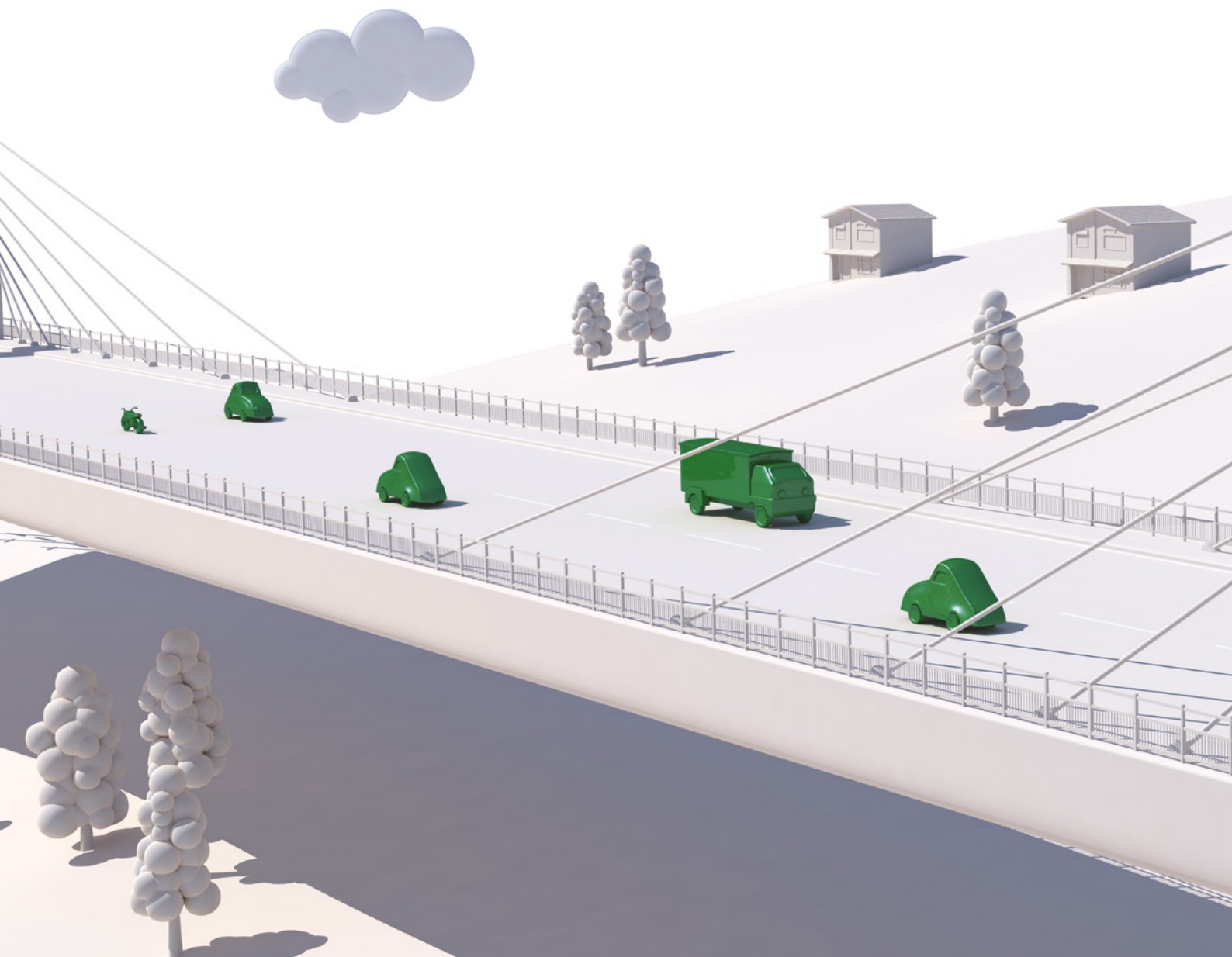
MyLicence went live in December 2014 and is a joint initiative between the DVLA, the Department for Transport, and the insurance industry which is represented by the ABI and MIB.

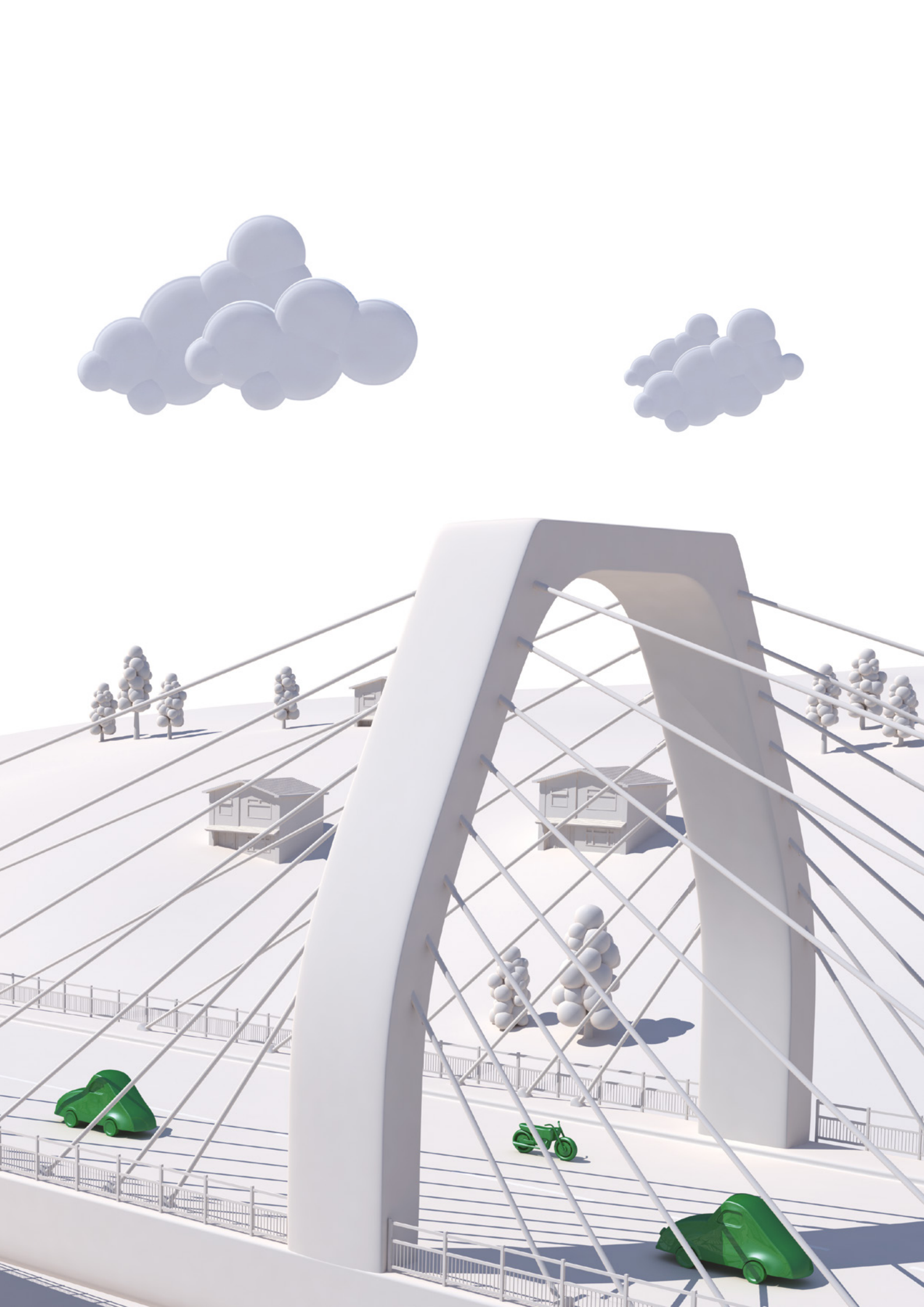
MyLicence gives insurers access to accurate data from the DVLA on motoring entitlements, convictions and penalty points when providing quotes for insurance policies.

The MyLicence NCD database was completed in June 2015, which will allow users to access no claims discount information.

Tracing Services Limited (TSL)

TSL provides management services including staffing, administration and financial services to the Employers' Liability Tracing Office (ELTO). All costs incurred by MIB are recharged to ELTO via TSL.







Motor Insurers' Bureau, Linford Wood House, 6-12 Capital Drive, Milton Keynes MK14 6XT
01908 830001 • enquiries@mib.org.uk • www.mib.org.uk



Printed on 100% recycled paper