

MGM Advantage

Summary Financial Statement 2009

Full Annual Report and Accounts

This Summary Financial Statement provides a summary of MGM Advantage's performance during 2009 and the state of affairs of the Group at the end of the year.

This document does not contain sufficient information to allow you as full an understanding of the results and state of affairs of MGM Advantage, and of its policies and arrangements concerning directors' remuneration, as would be provided by the Annual Report and Accounts 2009.

The Auditors' report in the Annual Report and Accounts 2009 was unqualified and did not contain statements under sections 498(2) and (3) of the Companies Act 2006.

If you would like a copy of the full Annual Report and Accounts 2009 free of charge, for this year, and/or all future years, please telephone 01903 836067 or e-mail customercentre@mgmadvantage.com. Alternatively, you can view and download the full Annual Report and Accounts 2009 by visiting the Society's website - www.mgmadvantage.com.

Summary Chief Executive's Statement

Strategic Performance

The Society's annuity strategy continues to be extremely successful. At the start of 2009, the Board set an annual sales target of £138m of enhanced annuity business. This target was exceeded by more than 6%. Capitalising on the success of the enhanced annuity, the Society developed an innovative new investment backed annuity - the Flexible Income Annuity. This new approach to annuity provision is industry leading, both in terms of product design and in the evolution of mutual organisations. The product has already been awarded five stars by Moneyfacts, one of the UK's leading sources of independent financial advice.

Capital

The capital markets continued to be volatile through much of 2009 but, following a comprehensive assessment, the Society's capital position improved notably during 2009. The Society has also achieved a significant reduction in annual operating costs over the past three years, meeting its target of £14.4m per annum by the end of 2009.

Changes to employee pension provision

In common with many employers, the Society has decided to close its final salary employee pension scheme to future accrual with effect from 1 May 2010. By taking this action the Society will reduce future volatility, costs and liabilities and free up capital.

Summary Directors' Report

Principal activity and business review

The principal activity of the Society is the transaction of annuity business, and the administration of a portfolio of existing life and pensions business, in the United Kingdom.

The Society is the UK's longest registered company and a provider of annuity and retirement related products to retail customers. It is a mutual and hence is wholly owned by its members, with membership being granted to any customer holding a policy with the Society which, under the Articles of Association, "participates in the profits of the Society". The membership currently stands at around 20,000.

In addition to selling annuities, the Society continues to administer premiums and claims on an existing book of policies.

Summary Financial Statement

The Summary Financial Statement has been prepared on the basis of accounting policies set out in the Annual Report and Accounts 2009 and the financial information for the periods shown has been abridged from those accounts. The Summary Financial Statement was approved by the Board of directors.

Directors

Details of the membership of the Board are shown on pages 2 - 3 in the full Report and Accounts, and are contained in the Directors' remuneration report within this document. The full responsibilities of the Board are set out in the members' section of the Society's website.

Regulatory environment

The business undertaken by the Society is regulated under the Financial Services and Markets Act 2000. The Society is authorised by the Financial Services Authority (FSA) and is bound by the rules and guidance within its various Handbooks.

Corporate governance

As a mutual, the Society fully subscribes to the Annotated Combined Code for Mutuals (the Code), which was introduced to ensure sound, transparent corporate

governance standards for mutuals. The Code, which is based upon the Combined Code for Stock Exchange listed companies, became effective for accounting periods commencing 1 January 2006. During 2009, the Society complied with all material requirements of the Code.

The Board delegates responsibility for certain aspects of its remit to the Remuneration and Nominations Committee, the Audit and Budget Committee, the Investment Committee and the With Profits Committee.

A full Corporate Governance statement is included on pages 12 to 20 of the Annual Report and Accounts 2009.

Objectives

The Society's main objectives are to:

- manage the Society for the benefit of its members.
- provide its customers with efficient service in relation to all aspects of the administration of their policies;
- ensure that its operations remain efficient and cost effective.

Subsidiaries

During 2009 the Society's subsidiary undertaking, MGM International Assurance Limited, was closed to new business. Following this, the Society has commenced the required legal process to transfer the book of MGM International Assurance Limited business to the UK in order to administer the policies at its Head Office in Worthing.

Risk management and control

As an insurer, the Society operates in a risk environment. To ensure that operational risks are appropriately identified, a formal risk management framework operates within the Society and this is monitored by the Head of Compliance & Risk and reviewed by the Risk Steering Group, the Society's Audit Committee and the Board. The Society is also using the FSA's Individual Capital Assessment (ICA) process, which requires an analysis of market, credit, liquidity, insurance, operational and group risks, to embed sound risk management practices across the organisation.

Employee involvement

The Society does not have shareholders and therefore a conventional share ownership scheme is not appropriate. However, employees are encouraged to become members and policyholders and thereby share in the long-term prosperity of the Society. Bonus schemes are in force where appropriate to encourage employee involvement in the Society's annual and long term performance.

Equal opportunities

The Society is committed to the principle of equal recruitment, training, development and treatment of all employees irrespective of their race, ethnic origin, nationality, disability, sex or sexual orientation, religious convictions, and age.

Charitable and political donations

Charitable donations made by the Society in the UK during 2009 amounted to £1,735 (2008: £2,053). There were no donations for political purposes.

Member relations

The Society believes in an open and honest dialogue with its members. With this in mind, it introduced a new newsletter in April 2009 to provide members with information about the Society's operations.

Going concern

The Board has noted the significant improvements to the working capital in the year. It therefore considers that the Society is indeed a going concern and that there are no supporting assumptions or qualifications to this opinion.

Working capital is maintained on both realistic and regulatory bases. The Society is required to hold working capital in excess of a prescribed capital requirement under both bases.

The regulatory and realistic positions are summarised below.

Capital Position Statement

The Society calculates solvency on both the realistic and the regulatory bases, and is required to maintain a solvent position on each.

	2009		2008	
	Regulatory	Realistic	Regulatory	Realistic
	£m	£m	£m	£m
Working capital	98.4	105.4	60.9	83.6
Capital requirement	(33.8)	(10.5)	(30.8)	(28.1)
Excess capital	<u>64.6</u>	<u>94.9</u>	<u>30.1</u>	<u>55.5</u>

Summary Financial Statement

The Summary Financial Statement consists of:

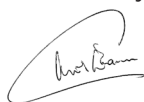
Summarised group profit and loss account

	2009	2008
	£'000	£'000
Gross Premiums written – long-term business	206,014	84,036
Outward Reassurance Premiums	(96,162)	(20,928)
Other income and charges	146,383	(168,444)
Claims incurred, net of reinsurance	(76,174)	(117,411)
Change in other technical provisions, net of reinsurance	(70,513)	119,247
Change in value of investment contracts	(44,360)	72,771
Net operating expenses	<u>(22,045)</u>	<u>(29,328)</u>
Profit / (loss) on ordinary activities before tax	43,143	(60,057)
Tax (charge) / credit on profit or loss on ordinary activities	(1,390)	10,219
Transfer to / (from) the fund for future appropriations	<u>41,753</u>	<u>(49,838)</u>

Summary Financial Statement

Summarised consolidated balance sheet	2009 £'000	2008 £'000
Assets		
Investments	1,440,003	1,234,986
Reassurers' share of long term business provision	170,626	76,212
Other assets	54,649	66,451
Total assets	1,665,278	1,377,649
Liabilities		
Fund for future appropriations	114,470	88,008
Gross technical provisions	1,356,397	1,185,032
Pension scheme liability	15,819	5,780
Other liabilities	178,592	98,829
Total liabilities	1,665,278	1,377,649

This Summary Financial Statement was approved by the Directors on 8 April 2010 and signed on their behalf by:



Chris Evans, Chief Executive

Auditor's Report

Independent auditors' statement to the members of Marine and General Mutual Life Assurance Society

We have examined the summary financial statement for the year ended 31 December 2009 set out on pages 3 and 4.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement 2009 in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement 2009 with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Summary Financial Statement 2009 and consider the implications for our Report if we become aware of any apparent mis-statements or material inconsistencies with the summary financial statement.

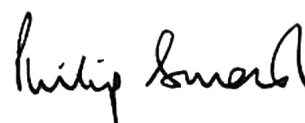
Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the group's full annual financial statements describes the basis of our audit opinion on those financial statements, the Directors' Report and the Directors' Remuneration Report.

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report of Marine and General Mutual Life Assurance Society for the year ended 31 December 2009, and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements (24 March 2010) and the date of this statement.



Philip Smart

For and on behalf of KPMG Audit plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London, EC4Y 8BB
8 April 2010

Directors' Remuneration Report

This report is extracted from the Directors' remuneration report and is a summary of the Society's remuneration policy and practice. Full information appears in the Annual Report and Accounts 2009.

This report sets out the Society's policy for Directors' Remuneration. Setting the policy, and the remuneration of the Society's directors, is the responsibility of the Remuneration & Nominations Committee. The Committee's terms of reference are set out on Pages 13-14 in the full Report and Accounts.

Executive Directors

The Society's remuneration policy is designed to attract, motivate and retain those with the appropriate experience, knowledge, skills and attributes to act as directors of the Society and hence contribute to maximising the benefits of the Society's members. No executive director has a contract containing a notice period in excess of one year. The remuneration of each executive director is reviewed annually and contains the following elements:

Salary

Executive director salaries are determined by reference to data obtained from employment benefit consultancies in relation to firms of a similar size and market sector as the Society. The salary, which is reviewed annually in the light of performance and factors such as inflation, is the only element which is pensionable.

During 2009, a review of Executive Remuneration was carried out by PricewaterhouseCoopers consulting (PwC). This concluded that the total remuneration for the Senior Management Team was, on average, between lower quartile and median when benchmarked against an appropriate, externally validated, comparator group. In particular the Chief Executive Officer, who has not had a salary increase for two years, has a salary that is below the lower quartile. The external review suggested that an increase of £20k would be appropriate and the Committee accepted the proposal. However the CEO was reluctant to take a permanent increase in salary and the associated benefits at this point and it was agreed that this should be postponed for a further year until the Flexible Income Annuity product has bedded in and sales are being achieved at the planned rate. It was agreed therefore that this amount be paid as a one-off, non pensionable payment for 2010.

Bonus

The Society operates a bonus scheme and a Long Term Incentive Plan (LTIP) for executive directors. The terms of the LTIP, which links awards to growth in the Society's long term working capital, are available in the Members' section of the Society's website. A separate resolution regarding some amendments to the LTIP rules is being presented to the Society's Members as part of the 2010 AGM. If the resolution is approved, the value of the potential LTIP bonus at 31st December 2009 for the eligible directors, contingent upon the 2011 target working capital being achieved, and payable in 2012 would be:-

Executive Director	£
Chris Evans	61,333
Sara Charman	38,453
Robert Craig Fazzini-Jones	37,333

Pension

Those executive directors appointed prior to 2009 are eligible to be members of the Society's Staff Pension Plan, which is a defined benefits scheme. The Plan, which is now closed to new members, is contributory and the current rate of contribution is 5% of salary. The Plan also provides life insurance cover, at four times annual salary, for scheme members.

As mentioned in the Summary Chief Executive's Statement, we are currently in the process of closing the defined benefits scheme.

Those executive directors appointed after the closure of the Plan to new members are eligible to be members of the Society's defined contribution pension scheme.

Private Medical Insurance

The Society provides private medical insurance cover for executive directors and their immediate families.

Non Executive Directors

All the Society's non executive directors are appointed under a contract for services. The remuneration of the non executive directors is agreed by the members every three years at the Society's AGM. This matter was last considered by the members at the AGM in 2008.

Non executive directors are not provided with any benefits in addition to their basic remuneration.

Remuneration of Directors

	Salary / Fees	Bonuses	Other Benefits ¹	Total	Total
	2009	2009	2009	2009	2008
	£	£	£	£	£
Executives					
Chris Evans	230,000	73,600	75,808	379,408	407,747
Dave Middleton	49,154	-	11,910	61,064	101,233
Sara Charman	144,200	67,182	49,671	261,053	243,689
Robert Craig Fazzini-Jones	136,250	33,333	48,669	218,252	72,349
Geoff Shanks	10,115	-	2,204	12,319	-
Nigel Sherry	-	-	-	-	490,014
	569,719	174,115	188,262	932,096	1,315,032
Non Executives					
William Proby	75,000	-	-	75,000	75,000
Charles Woodward ²	-	-	-	-	45,000
Laurie Edmans	45,000	-	-	45,000	37,500
Michael Arnold	35,000	-	-	35,000	35,000
Peter Maydon ²	-	-	-	-	35,000
Susan Sharland	26,250	-	-	26,250	35,000
Moira Siddons	35,000	-	-	35,000	35,000
Angela Burns	45,000	-	-	45,000	2,077
	261,250	-	-	261,250	299,577

Note 1 - Other benefits include employers pension contributions paid into the pension schemes.

Note 2 - In addition to the amounts disclosed above, contractual payments were made in 2009 to Charles Woodward and Peter Maydon of £22,500 and £17,500 respectively in lieu of notice following their resignations in December 2008.

Pension Benefits

Defined Benefit	Age	Total accrued pension at 31.12.09 ³	Increase in total accrued pension during 2009	Transfer value of accrued pension at 31.12.09 ⁴	Change in transfer value during the year net of Directors' contributions
		£'000	£'000	£'000	£'000
Executives					
Chris Evans	53	9	4	115	37
Sara Charman	42	45	3	576	7
Dave Middleton ⁵	46	2	0	21	3
Robert Craig Fazzini-Jones	34	4	2	29	9

The main terms applying to the final salary pension of the executive directors are that their pension is payable from normal retirement age of 65 and that a spouse's pension is payable on death at 50% of that executive director's pension.

Note3 - The total accrued pension is the amount which the Director would have been entitled to from normal retirement age if they had left service on 31 December 2009.

Note4 - The transfer values have been calculated in accordance with the Actuarial Guidance Note GN11.

Note5 - Dave Middleton resigned on 31 March 2009. All values shown are as at the date of his resignation. A transfer value amount of £21,339 was paid out in July 2009.

Defined Contribution	Age	Total accrued pension at 31.12.09	Increase in total accrued pension during 2009	Change in transfer value during the year net of Directors' contributions
		£'000	£'000	£'000
Executives				
Geoff Shanks	55	15	15	11

The main term applying to the Defined Contribution pension of the executive directors is that their pension is payable from normal retirement age of 65.



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