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MMA Insurance plc

Annual Report and Financial Statements

31 December 2003

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MMA Insurance plc

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MMA Insurance plc

Chief Executive's review

It is no exaggeration to say that 2003 was the most successful year yet for MMA. Not only did we register a record operating profit of £13.7m, we have added to the strength of our reserves and substantially reinforced our management structure. All of which has been achieved on a reduced expense ratio and without compromise on our levels of service.

As for our individual accounts, motor continues to be our largest class and we increased our portfolio numbers by 8.3% during the year. Within this overall total, private motor represents our largest class representing some 46% of our total income. Both this and Commercial Motor produced solid underwriting returns for the year.

Although we always aim (and usually succeed) in outperforming the market, we cannot baulk the overall trend entirely. In particular we cannot square the circle, which is Employers' Liability insurance in its current form. Fortunately, one of our strengths is the ability to recognise our limitations. Consequently, we reduced our involvement in this class to a risk profile, which is manageable despite the anomalies of the existing model. Otherwise our General liability and Professional Indemnity business continued to prosper on the back of the rating realism that is now evident in these markets.

Property based classes, both domestic and commercial have, however, been the principal contributors to our 2003 result. Whatever the product, we always strive to achieve consistency in pricing and availability since our brokers tell us that they value both these attributes highly. It is, therefore a basic tenet of such an approach that premiums move in the same direction as anticipated claims and expenses. This is almost invariably upwards. Against this measure we had, for a number of years, been dissatisfied with the general reluctance to adopt realistic pricing on this business. We, therefore, continued to apply realistic rate increases although it was unfashionable to do so. This approach has produced an exceptional result for us in 2003 in view of the absence of any significant weather event during the year. This surplus will enable us to continue to offer pricing stability when external events are less favourable. It is only a matter of time until this occurs.

The intermediary channel, of course, continues to be our chosen route to market. The demise of this channel has been often predicted, usually by those with a vested interest in Direct writing. Our view is to the contrary. We are confident that the majority of general insurance customers will continue to use the expertise of an intermediary in terms of securing impartial advice, choice and value for money.

Consequently, our future and that of intermediaries are inextricably linked. We have complete confidence in both. Again, I would like to express my appreciation to all our intermediary partners for their continuing support – something that we never take for granted.

Sadly, the trading results of the year were overshadowed by the death of our Chairman, Peter Woolterton, in November, following a short illness. Peter joined the Board in 1992 and became Chairman in 1996. The Group in the UK has been transformed during the period of his Chairmanship. Peter provided wise counsel, challenge and encouragement in equal measure throughout his period of office and thereby played a pivotal role in the Company's successes. We shall miss him.

We are of course, fortunate in having Scott Nelson as our new Chairman. Scott became a director of the Company in 2000 following a distinguished career in Financial Services at the highest levels. We have already benefited enormously from his breadth of experience and vision. We look forward to working with him in his new role and wish him every success.

Finally, I would like to record my appreciation to our board, my management colleagues and all our staff who have contributed so much in achieving this set of results.

Garry Fearn

Chief Executive

MMA Insurance plc

Report of the Directors
For the Year Ended 31 December 2003

DIRECTORS	Scott Nelson	Chairman
	Sebastien Coste	
	Jean Dubois	Appointed 28 January 2004
	Garry Fearn	
	Barry Hulbert	
	Olivier Jarry	
	Michel Lapierre	Appointed 25 September 2003
	Bertrand Lefebvre	Appointed 25 September 2003
	Bruno Mercier	Appointed 25 September 2003
	George Nixon	Appointed 21 March 2003
	Jean-Michel Pescheux	Appointed 25 September 2003
	Derek Plummer	Appointed 28 January 2004
	Michel Roux	
	Steven Whittaker	
SECRETARY	Steven Whittaker	

The directors of MMA Insurance plc submit the forty-fourth annual report and financial statements of the Company for the year to 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the transaction of non-life insurance business in the United Kingdom.

RESULTS

The balance on the technical account was £13,746,000, (2002 - £7,259,000).

The profit for the year after tax was £12,179,000, (2002 - £2,381,000 loss).

The directors propose the payment of a dividend for the year amounting to £2,000,000, (2002 - £1,600,000).

The Company has followed the recommendations of the 1998 ABI Statement of Recommended Practice on Accounting for Insurance Business.

FUTURE DEVELOPMENTS

Please refer to the Chief Executive's review on page 1.

EURO

The directors are monitoring the potential effects of the introduction of the Euro upon the Company. No estimate can be made at this time of the likely costs to be incurred in making the Company's systems Euro compliant.

MMA Insurance plc

Report of the Directors continued
For the Year Ended 31 December 2003

DIRECTORS

The directors named on page 2 served throughout the year except:

Jean Dubois	Appointed 28 January 2004
Michel Lapierre	Appointed 25 September 2003
Bertrand Lefebvre	Appointed 25 September 2003
Bruno Mercier	Appointed 25 September 2003
George Nixon	Appointed 21 March 2003
Jean-Michel Pescheux	Appointed 25 September 2003
Derek Plummer	Appointed 28 January 2004

All of the above, except George Nixon, retire and, being eligible, offer themselves for re-election.

Barry Hulbert and Scott Nelson retire by rotation and, being eligible, offer themselves for re-election.

Peter Woolterton also served until his death on 16 November 2003.

None of the directors had an interest in the share capital of the Company during the year.

EMPLOYEES

Disabled Persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee Involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newsletters, briefing groups and the distribution of the annual report.

CREDITOR PAYMENT POLICY

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2003 the amount outstanding in other creditors did not exceed agreed payment terms, which are most commonly thirty days from date of invoice.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office, as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the board

S WHITTAKER

Secretary
26 March 2004

Statement of Directors' Responsibilities in Respect of the Financial Statements
For the Year Ended 31 December 2003

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

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

MMA Insurance plc

Independent Auditors' Report to the Members of MMA Insurance plc

We have audited the Company's financial statements for the year ended 31 December 2003, which comprise the *Technical Account – General Business, Non-Technical Account, Balance Sheet, Statement of Total Recognised Gains* & Losses, Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the Company's directors are responsible for the *preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.*

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

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

EQUALISATION RESERVES

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2003, and the effect of the movement in those reserves during the year on the general business technical result and loss before tax, are disclosed in note 18.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
London

26 March 2004

MMA Insurance plc

Profit & Loss Account
For the Year Ended 31 December 2003

TECHNICAL ACCOUNT - GENERAL BUSINESS

Premiums	Notes	2003 £ 000	2003 £ 000	2002 £ 000	2002 £ 000
Gross premiums written	1		203,011		190,774
Outward reinsurance premiums			(31,331)		(37,550)
Net premiums written			171,680		153,224
Change in the gross provisions for unearned premiums		(4,536)		(12,154)	
Change in the provision for unearned premiums, reinsurers' share		(453)		(6,024)	
Change in the net provision for unearned premiums			(4,989)		(18,178)
Earned premiums, net of insurance			166,691		135,046
Allocated investment return transferred from the non-technical account	4		14,262		13,538
			180,953		148,584
Claims paid					
Gross amount		(107,436)		(106,222)	
Reinsurers' share		20,316		22,953	
Net of reinsurance		(87,120)		(83,269)	
Change in the provision for claims					
Gross amount		(35,318)		(35,165)	
Reinsurers' share		(601)		10,494	
Net of reinsurance		(35,919)		(24,671)	
Claims incurred, net of reinsurance			(123,039)		(107,940)
Change in the equalisation provision	18		(1,085)		(956)
Net operating expenses	2		(43,083)		(32,429)
Balance on the general business technical account			13,746		7,259

MMA Insurance plc

Profit & Loss Account continued
For the Year Ended 31 December 2003

NON -TECHNICAL ACCOUNT

	Notes	2003		2002	
		£ 000	£ 000	£ 000	£ 000
Balance on the general business *technical account*			13,746		7,259
Total investment return	3	16,388		1,142	
Allocated investment return transferred to the technical account - general business	4	(14,262)		(13,538)	
			2,126		(12,396)
Exchange adjustments			(20)		(22)
Profit / (loss) on ordinary activities before tax			15,852		(5,159)
Tax on (profit) / loss for the financial year	7		(3,673)		2,778
Profit / (loss) for the financial year			12,179		(2,381)
Dividend	8		(2,000)		(1,600)
Retained profit / (loss) for the financial year transferred to reserves	16		10,179		(3,981)

There are no material discontinued operations.

MMA Insurance plc

Balance Sheet
As at 31 December 2003

	Notes	2003 £ 000	2003 £ 000	2002 £ 000	2002 £ 000
ASSETS					
Investments					
Investments in group undertakings and participating interests	9	913		5,454	
Other financial investments	10	268,435		200,477	
			269,348		205,931
Reinsurers' share of technical provisions					
Provision for unearned premiums		11,940		12,393	
Claims outstanding	17	49,465		50,082	
			61,405		62,475
Debtors					
Debtors arising out of direct insurance operations	11	28,496		33,064	
Debtors arising out of reinsurance operations		1,622		1,557	
Other debtors	12	7,503		7,888	
			37,621		42,509
Other assets					
Tangible fixed assets	13	1,098		813	
Cash at bank and in hand		9,494		15,266	
			10,592		16,079
Prepayments and accrued income					
Accrued interest		2,709		2,331	
Deferred acquisition costs		19,664		17,300	
Other prepayments and accrued income		828		1,148	
			23,201		20,779
TOTAL ASSETS			402,167		347,773

MMA Insurance plc

Balance Sheet continued
As at 31 December 2003

	Notes	2003 £ 000	2003 £ 000	2002 £ 000	2002 £ 000
LIABILITIES					
Capital and reserves					
Called up share capital	14	11,745		11,745	
Revaluation reserve	15	902		931	
Profit and loss account	16	47,008		36,829	
Shareholders' funds attributable to equity interests			59,655		49,505
Technical provisions					
Provisions for unearned premiums		95,607		91,071	
Claims outstanding	17	220,138		184,078	
Claims equalisation reserves	18	3,960		2,875	
			319,705		278,024
Deferred taxation	21		1,430		0
Creditors					
Creditors arising out of direct insurance operations		72		97	
Creditors arising out of reinsurance		5,712		6,481	
Other creditors including taxation and social security	19	6,556		4,932	
			12,340		11,510
Accruals and deferred income	20		9,037		8,734
TOTAL LIABILITIES			402,167		347,773

These financial statements were approved by the board of directors on 26 March 2004 and were signed on its behalf by:

Garry Fearn
Managing Director

MMA Insurance plc

Statement of Total Recognised Gains and Losses
For the Year Ended 31 December 2003

	2003		2002	
	£000	£000	£000	£000
Profit / (loss) after tax for the financial year		12,179		(2,381)
Other recognised (losses) / gains				
(Deficit) / surplus on revaluation of investments	(26)		153	
Deferred tax movement	0		213	
		(26)		366
Unrealised exchange (losses) / gains net of deferred tax		(3)		2
		12,150		(2,013)

STATEMENT OF HISTORICAL COST PROFIT
FOR THE YEAR ENDED 31 DECEMBER 2003

The inclusion of Unrealised Gains and Losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is not deemed to be a departure from the unmodified Historical Cost basis of accounting. Accordingly, a separate note on Historical Cost profit and losses is not given.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£ 000	£ 000
Total recognised gains / (losses)	12,150	(2,013)
Less proposed dividend	(2,000)	(1,600)
Net addition to shareholders' funds	10,150	(3,613)
Shareholders' funds at beginning of year	49,505	53,118
SHAREHOLDERS' FUNDS AT END OF YEAR	59,655	49,505

The principal accounting policies followed by the Company are set out below.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the recommendations of the 1998 Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP).

The financial statements have also been prepared in accordance with applicable accounting standards and under Historical Cost accounting rules, modified to include the revaluation of investments.

CONSOLIDATION

As the Company is ultimately owned by an EU Parent, the Company has not prepared consolidated accounts (see note 24).

BASIS OF ACCOUNTING

The annual basis of accounting has been applied to all classes of business except for non-annual travel business.

The fund basis of accounting has been applied to non-annual travel business, as, in the opinion of the directors, it is not possible to obtain all the information necessary to establish an underwriting result with sufficient accuracy at the end of the first year of development. Under the fund basis of accounting, premiums, claims and expenses are carried forward as a fund within the technical provision for outstanding claims, and profit recognition is deferred until the end of the first year following the underwriting year. Any anticipated underwriting losses are recognised as soon as they are foreseen.

PREMIUMS

Written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

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

UNEARNED PREMIUM PROVISION

For business accounted for on an annual basis, written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. The provision for unearned premium is calculated on a daily pro rata basis.

CASH FLOW STATEMENT

In accordance with Financial Reporting Standard 1, the Company has not presented a cash flow statement as the Company's cash flows have been consolidated with those of its ultimate parent company La Mutuelle du Mans Assurances IARD.

CLAIMS

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred, but not reported at the balance sheet date. The number of claims expected and their anticipated final cost are projected from the Company's statistical history. Projections are made separately for each business group, based on information available up to one month after the balance sheet date. It is assumed that the Company's statistical history will provide a suitable base for projection, and that trends included in the data will be maintained. The impacts of case law and legislation are also taken into account. Their impact on the statistical base and current reserves are assessed. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account - general business of later years.

The fund for the open year of non-annual travel is carried forward within the provision for claims outstanding until the result of the underwriting year is determined at the end of the next year, when a provision for claims outstanding is recognised. These funds are strengthened by transfers from the profit and loss account, where necessary, to ensure that the fund is sufficient to meet all related liabilities in respect of the underwriting year.

DEFERRED ACQUISITION COSTS

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

UNEXPIRED RISKS

Provision is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums, net of deferred acquisition costs. The assessment of whether a provision is necessary is made by considering separately each category of business accounted for on the annual basis of accounting on the basis of information available up to one month after the balance sheet date. Investment income is taken into account in calculating the provision.

EQUALISATION PROVISION

Equalisation provisions arise from certain classes of business written in the United Kingdom and are calculated in accordance with the Insurance Companies (Reserves) Regulations 1996. The amounts provided are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date and, in accordance with Schedule 9A to the Companies Act 1985, are included within technical provisions. The movement in the equalisation provision for the period is taken to the technical account - general business.

INVESTMENT INCOME AND EXPENSES

Dividends are included as investment income when the investments to which they relate are declared 'ex-dividend'. Rents and interest income are recognised on an accruals basis, as are investment expenses.

Investment return, comprising investment income and realised and unrealised investment gains and losses, and investment expenses are included initially within the non-technical account.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price, or latest carrying value if investments are carried at amortised cost.

Investment return is allocated from the non-technical account to the technical account - general business so as to reflect the longer term investment return on investments attributable to the general insurance business in the technical account - general business. The allocation is based on the longer-term rate of investment return on investments supporting the technical provisions and shareholders' funds.

INVESTMENTS

Investments, consisting of land and buildings, listed investments, units in authorised unit trusts and deposits with credit institutions, are stated at their current values at the end of the year.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current profit and loss account.

Associated and subsidiary companies are included at their current net asset value, or directors' valuation. Differences on valuation are transferred to the revaluation reserve.

TAXATION

The taxation charge in the non-technical account is based on the taxable profits for the year.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

TANGIBLE ASSETS

Expenditure on computer equipment, motor vehicles and fixtures, fittings and office equipment is capitalised and depreciated over the estimated useful economic lives of the assets on a straight-line basis. The periods used are as follows:

Computer Equipment	-	3 to 5 years
Motor Vehicles	-	3 to 5 years
Fixtures, Fittings and Office Equipment	-	5 years

Depreciation is charged to the technical account - general business and is included in administrative expenses.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at 31 December each year or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences arising from transactions are taken to the profit and loss account. Exchange differences arising from the retranslation of the opening net investment in foreign business operations are taken to reserves.

REVALUATION RESERVE

Exchange differences on translating the net investment in the French branch are taken to this account. Unrealised gains and losses on revaluation of associated and subsidiary companies are also taken to this account. Unrealised losses are only taken to this account to the extent that there were previous gains against which they could be matched. Any net deficiency on individual investments is written off in the profit and loss account.

OPERATING LEASES

Payments, less reverse premiums received, are charged to the profit and loss account over the period to the next rent review date.

PENSION COSTS

The Company operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become due under the rules of the scheme.

The Company also operates a defined benefits pension scheme, which is now closed to new members. Pension costs are charged to the profit and loss account over the average expected service life of current employees. Costs are assessed in accordance with the advice of qualified actuaries. Additional disclosures required by FRS 17 for this scheme are disclosed in note 23.

MMA Insurance plc

Notes to the Financial Statements
For the Year Ended 31 December 2003

1 SEGMENTAL REPORTING

(a) All contracts of insurance were concluded in the United Kingdom (2002 - Same).

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

2003	Direct Motor	Direct fire and other damage to property	Direct liability	Others	TOTAL
	£ 000	£ 000	£ 000	£ 000	£ 000
Gross written premiums	112,827	42,819	42,767	4,598	203,011
Gross earned premiums	108,701	40,896	44,356	4,522	198,475
Gross incurred claims	(81,467)	(22,862)	(36,023)	(2,402)	(142,754)
Gross operating expenses	(24,432)	(12,785)	(11,782)	(2,067)	(51,066)
Gross technical result	2,802	5,249	(3,449)	53	4,655
Reinsurance result	(1,341)	(3,259)	570	(56)	(4,086)
Net technical result	1,461	1,990	(2,879)	(3)	569
Equalisation provision					(1,085)
Allocated investment return					14,262
Balance on technical account					13,746
Net technical provisions excluding equalisation reserves	137,766	44,001	70,890	1,683	254,340

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

1 (Cont.) SEGMENTAL INFORMATION

2002	Direct Motor	Direct fire and other damage to property	Direct liability	Others	TOTAL
	£ 000	£ 000	£ 000	£ 000	£ 000
Gross written premiums	108,173	38,246	41,127	3,228	190,774
Gross earned premiums	105,668	35,404	34,330	3,218	178,620
Gross incurred claims	(84,803)	(24,527)	(29,924)	(2,133)	(141,387)
Gross operating expenses	(22,661)	(10,372)	(10,111)	(1,189)	(44,333)
Gross technical result	(1,796)	505	(5,705)	(104)	(7,100)
Reinsurance result	1,787	(1,684)	1,729	(55)	1,777
Net technical result	(9)	(1,179)	(3,976)	(159)	(5,323)
Equalisation provision					(956)
Allocated investment return					13,538
Balance on technical account					7,259
Net technical provisions excluding equalisation reserves	121,920	31,483	57,835	1,436	212,674

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

2 NET OPERATING EXPENSES

	2003	2002
	£000	£000
Acquisition costs		
Commission in respect of direct insurance	37,078	33,320
Others	2,917	2,668
	39,995	35,988
Change in gross deferred acquisition costs	(2,364)	(2,318)
	37,631	33,670
Administration expenses	10,930	8,046
Motor Insurers Bureau levy	2,359	2,504
Financial services compensation scheme	146	113
Gross operating expenses	51,066	44,333
Reinsurance commissions	(7,724)	(9,980)
Change in deferred reinsurance commission	(259)	(1,924)
	43,083	32,429

Auditors' remuneration in respect of audit services amounted to £77,000, (2002 - £72,000) and in respect of non-audit services amounted to £28,000, (2002 - £24,000).

Administrative expenses also include:

	2003	2002
Depreciation of tangible assets	446	384
Operating lease rentals	1,163	1,163

3 INVESTMENT RETURN

	2003 £000	2002 £000
Investment Income		
Dividend income from participating interest	214	214
Income from other financial investments	15,065	11,770
Unrealised gains / (losses) on investments	2,740	(9,291)
Gain on transfer of shares in subsidiary company (Note 9)	474	0
	18,493	2,693
Investment Expenses and Charges		
Losses / (gains) on disposal of fixed interest securities	1,814	(34)
Losses on the realisation of equity investments	291	1,585
	2,105	1,551

4 ALLOCATED INVESTMENT RETURN

The allocation of investment return is based on the longer-term return on investments.

(a) Assumptions

The longer-term return on equities is estimated with regard to historical real rates of return for the market and current inflation expectation adjusted for consensus economic and investment market forecasts of investment return.

The longer term investment return on redeemable fixed interest securities is calculated using the amortised cost basis with realised gains and losses subject to continuing amortisation over the remaining period to the maturity date.

The allocated longer-term returns for other categories of investments are the actual interest income receivable for the year.

The principal assumptions underlying the calculation of the longer-term investment return are as follows:

	2003 %	2002 %
U.K. Equities	7.0	7.0
U.K. Fixed Interest	5.1	5.7
U.K. Indexed Linked	4.7	-

The directors are of the opinion that these rates of return are appropriate and have been selected with a view to ensuring that returns credited to operating results are not inconsistent with the actual returns which will be earned over the longer term.

(b) *Comparison of Longer Term Investment Return with Actual Return*

The actual return on investments attributable to general business and shareholders in the period from 1 January 1999 to 31 December 2003 is compared below with the aggregate longer term return which would have been recognised in the balance on the technical account - general business over the same period using the longer term rate of return described above:

	1999 - 2003 £ 000	1998 - 2002 £ 000
Actual investment return attributable to shareholders dealt with in profit on ordinary activities in the non-technical account	36,036	39,072
Longer term investment return attributable to shareholders credited to operating profit and to the technical account *- general business*	66,720	64,309
(Deficit) / Surplus	(30,684)	(25,237)

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

5 DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments, including benefits in kind, paid to or receivable by directors during the year was as follows:

	2003 £ 000	2002 £ 000
Emoluments	529	500
Contributions to pension fund in respect of directors	65	57
	594	557
Highest paid director :		
Emoluments	278	280
Pension contributions	43	36
	321	316

Two directors are accruing retirement benefits under the Company's defined benefits pension scheme. The highest paid director's accrued pension at 31 December 2003 was £66,000 (2002- £55,000).

6 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the year was as follows:

	2003	2002
Non Executive Directors	9	6
Executive Directors	2	2
Senior Management	4	4
Underwriting	114	101
Claims	81	85
Marketing	21	19
Finance	69	63
IS	25	23
	325	303
The aggregate payroll costs in respect of these persons were as follows:	£ 000	£ 000
Wages and salaries	7,066	6,595
Social security costs	573	482
Other pension costs	2,953	683
	10,592	7,760

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

7 TAXATION

				2003		2002
			£ 000	£ 000	£ 000	£ 000
a)	Current tax	UK Corporation Tax		1,047		0
		Tax overpaid in prior years		(93)		(45)
				954		(45)
	Deferred tax	Carried forward tax losses, utilised in 2003	2,569		(2,569)	
		Unrealised deficit / (surplus)	23		564	
		Group relief re: subsidiary company	0		(512)	
		Other timing differences	127		(216)	
		Deferred tax (Note 21)		2,719		(2,733)
		Tax charge / (credit) for year		3,673		(2,778)

b) Factors affecting current tax charge.
The tax charge in the year is at a lower rate than standard rate of corporation tax in the UK of 30%. Differences as below :

	2003	2002
Profit / (loss) on ordinary activities before tax	15,852	(5,159)
Profit / (loss) on ordinary activities at 30%	4,756	(1,547)
Expenses not deductible for tax purposes	18	12
Income on which no further tax is payable	(641)	(424)
Carried forward tax losses, utilised in 2003	(2,569)	2,569
Unrealised (deficit) / surplus	(23)	(564)
Group relief re: subsidiary company	0	512
Other timing differences	(127)	216
Group relief from Holding company for no payment	(157)	0
Group relief from fellow Subsidiary company for no payment	(218)	(288)
Deferred tax overprovided in previous years	0	(486)
Addition charge to tax re.S107 of the Finance Act 2000	8	0
Corporation tax overprovided in previous years	(93)	(45)
Total current tax (Note 7a)	954	(45)

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

8 DIVIDEND

	2003	2002
	£ 000	£ 000
Proposed dividend	2,000	1,600

9 INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	Current Value	Cost
Shares in group undertakings	£ 000	£ 000
Value at 31.12.02	4,588	4,548
Purchase of shares	1,200	1,200
Sales of shares (at cost)	(5,730)	(5,730)
Movement in current accounts	15	15
Value at 31.12.03	73	33
Other participating interests		
Value at 31.12.02	866	4
Decrease in Net Asset value	(26)	0
Value at 31.12.03	840	4
Total value at 31.12.03	913	37

Shares in group undertakings represent the Company's investment in its subsidiary undertaking:

Gateway Insurance Agency Limited, registered in England, with a holding of 100% ordinary shares. This company has ceased trading. It previously traded as an insurance intermediary.

On 23 September ownership of its4me plc was transferred to the holding company MMA Holdings UK plc. The transfer value was £6,250,000. The resultant surplus of £474,000 was taken to investment gains (see note 3). Up to that date a further 1,200,000 preference shares had been purchased at £1 each fully paid.

Other participating interests represent 45% of the ordinary shares of Saturn Professional Risks Limited, registered in England, which is an insurance underwriting agency.

10 OTHER FINANCIAL INVESTMENTS

	Market value		Cost	
	2003 £ 000	2002 £ 000	2003 £ 000	2002 £ 000
Shares and other variable-yield securities and units in unit trusts	47,202	40,538	49,332	49,564
Debt securities and other fixed-income securities	196,657	139,829	202,054	139,935
Deposits with credit institutions	24,576	20,110	24,576	20,110
	268,435	200,477	275,962	209,609
Listed investments included in the above	243,859	180,367	251,386	189,499

11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2003 £ 000	2002 £ 000
Amounts owed by policyholders	13,341	13,576
Amounts owed by intermediaries	15,155	19,488
	28,496	33,064

12 OTHER DEBTORS

	£ 000	£ 000
Salvage and subrogation recoveries	6,473	5,805
Amounts owed by group undertakings	302	285
Deferred tax (Note 21)	0	1,289
Other debtors	728	509
	7,503	7,888

13 TANGIBLE ASSETS

	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£ 000	£ 000	£ 000	£ 000
COST				
At beginning of year	2,109	2,008	272	4,389
Additions	564	68	114	746
Disposals	(168)	0	(77)	(245)
At the end of year	2,505	2,076	309	4,890
DEPRECIATION				
At beginning of year	1,657	1,789	130	3,576
Charge in year	311	67	68	446
On disposals	(163)	(1)	(66)	(230)
At the end of year	1,805	1,855	132	3,792
NET BOOK VALUE				
At 31 December 2003	700	221	177	1,098
At 31 December 2002	452	219	142	813

14 CALLED UP SHARE CAPITAL

	2003		2002	
	No.	£ 000	No.	£ 000
Authorised Ordinary Shares of £1 each	15,000,000	15,000	15,000,000	15,000
Issued - fully paid	10,993,334	10,993	10,993,334	10,993
Issued - 25p called and paid	3,006,666	752	3,006,666	752
	14,000,000	11,745	14,000,000	11,745

Ordinary shares 25p called and paid: the balance of 75p per share is uncalled.

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

15 REVALUATION RESERVE

	2003	2002
	£ 000	£ 000
Balance brought forward	931	563
Differences on exchange	(3)	2
(Deficit) / surplus on revaluation of investments	(26)	153
	902	718
Transfers from / (to) deferred taxation (note 21)	0	213
	902	931

16 PROFIT AND LOSS ACCOUNT

	2003	2002
	£ 000	£ 000
Balance brought forward	36,829	40,810
Retained profit / (loss) for the year	10,179	(3,981)
Balance carried forward	47,008	36,829

17 CLAIMS OUTSTANDING

2003	Gross £ 000	Reinsurance £ 000	Net £ 000
Notified outstanding claims	150,288	34,158	116,130
Provision for claims incurred but not reported	66,811	15,307	51,504
	217,099	49,465	167,634
Claims handling expenses	2,167	0	2,167
	219,266	49,465	169,801
Open year funds for funded business	872	0	872
	220,138	49,465	170,673

2002	Gross £ 000	Reinsurance £ 000	Net £ 000
Notified outstanding claims	127,351	36,261	91,090
Provision for claims incurred but not reported	53,988	13,821	40,167
	181,339	50,082	131,257
Claims handling expenses	2,267	0	2,267
	183,606	50,082	133,524
Open year funds for funded business	472	0	472
	184,078	50,082	133,996

18 EQUALISATION PROVISION

These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by rule 6.5 of the interim prudential source book for insurers to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date. After tax relief this has had the cumulative effect of reducing shareholders' funds by £2,743,000, (2002 - £1,983,000). The movement in equalisation provisions during the year resulted in a decrease in the general business - technical account result and the profit before taxation of £1,085,000, (2002 – £956,000 increase).

19 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2003 £ 000	2002 £ 000
Corporation taxation payable	954	10
Investments purchased for subsequent settlements	64	34
Other taxes including insurance premium tax and social security costs	2,097	2,416
Dividend proposed for the current financial year	2,000	1,600
Due to group companies	849	0
Other	592	872
	6,556	4,932

20 ACCRUALS AND DEFERRED INCOME

	£ 000	£ 000
Deferred reinsurance commissions	3,651	3,910
Motor Insurers Bureau levy	2,959	2,613
Financial Services Compensation Scheme	812	765
Other accruals and deferred income	1,615	1,446
	9,037	8,734

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

21 DEFERRED TAXATION

Full provision has been made for deferred taxation, at 30% (2002 - 30%) as follows:

	2003		2002	
	£ 000	£ 000	£ 000	£ 000
On revaluation of investments		1,456		1,433
Trading losses		0		(2,569)
Other timing differences		(55)		(182)
Differences on exchange		29		29
		1,430		(1,289)
Deferred tax (asset) / liability at beginning of year		(1,289)		1,657
Unrealised deficit / (surplus)	23		564	
Group relief re:subsidiary company	0		(512)	
Carry forward losses utilised in 2003	2,569		(2,569)	
Other timing differences	127		(216)	
Current taxation (Note 7)	2,719		(2,733)	
Differences on revaluation of associated company (Note 15)	0		(213)	
		2,719		(2,946)
Differences on exchange		0		0
Deferred tax liability / (asset) at end of year		1,430		(1,289)

22 COMMITMENTS

a) Annual commitments under non-cancellable operating leases are as follows:

Land and buildings	2003	2002
Operating leases which expire: Over five years	1,163	1,163

b) At 31 December 2002 the Company had agreed to subscribe to an additional £450,000 of preference shares in its subsidiary company its4me plc. This subsidiary company was transferred within the group on 23 September 2003.

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

23 PENSION BENEFIT

The company operates two pension schemes. The assets of both schemes are held independently and separately from those of the company in trust administered accounts.

Defined contribution scheme
This scheme is open to employees who became eligible to join on or after 1 January 2001. Benefits are based on contributions made to the scheme by the Company during the employee's membership.

Defined benefits scheme
Benefits are based on final pensionable salary. This scheme closed to new members on 31 December 2000. The disclosures below refer to this scheme.

SSAP 24 disclosures

The amounts contributed to the defined benefit scheme in the year were:

	2003 £ 000	2002 £ 000
Salary based contributions	574	581
Additional contributions	2,250	-
	2,824	581

The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company.

Contributions are made on the advice of an independent qualified actuary using the projected unit method. The latest actuarial assessment was as at 1 January 2003. The main actuarial assumptions are a rate of investment return of 7.0% per annum for equities, 5.0% per annum for bonds and a rate of salary increase of 4.0% per annum. The next full actuarial assessment is due in 2006, based on the position as at 1 January 2006.

The scheme had assets with a market value of £7,641,000 at 1 January 2003. At that date the actuarial value of the scheme assets represented 53.0% of the liabilities for benefits that had accrued to members, allowing for expected future increases in salaries. The level of contributions was 15.9% of pensionable salaries (2002 January to October 15.0%, November and December 15.9%).

FRS 17 disclosures

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 1 January 2003 and updated to 31 December 2003 by a qualified independent survey.

The major assumptions used by the actuary were:

	2003	2002
Discount rate	5.5%	5.6%
Inflation assumption	2.9%	2.4%
Rate of increase in salaries	4.4%	4.0%
Rate of increase in pensions in payment	2.9%	2.4%

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

23 (Cont) PENSION BENEFIT

The assets in the scheme and the rate of return were:

	Long term rate of return		2003	2002
	2003	2002	£ 000	£ 000
Equities	8.0%	7.5%	7,415	5,578
Bonds	5.2%	5.0%	1,085	885
Other	3.0%	3.0%	2,759	1,029
Total market value of assets			11,259	7,492
Present value of scheme liabilities			(18,602)	(14,478)
(Deficit) in the Scheme			(7,343)	(6,986)
Related deferred tax asset			2,203	2,096
Pension liability			(5,140)	(4,890)

Note: Additional Voluntary Contributions, which represent a matching asset and liability, have been excluded from the valuation.

The above figures include the capital payment of £2,250,000 made in 2003.

	2003	2002
Effect on net assets	£ 000	£ 000
Net asset excluding pension liability	59,655	49,505
Net pension liability	(5,140)	(4,890)
Net assets including pension liability	54,515	44,615
Effect on profit and loss account		
Profit and loss reserve excluding pension asset	47,008	36,829
Pension reserve	(5,140)	(4,890)
Profit and losss reserve including pension liability	41,868	31,939

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

23 (Cont) PENSION BENEFIT

	2003	2002
	£ 000	£ 000
Movements in Deficit During the Year		
(Deficit) in scheme at beginning of the year	(6,986)	(4,872)
Movement in year:		
Current service cost	(722)	(869)
Contributions	2,824	736
Past service costs	0	0
Other finance income	(245)	(224)
Actuarial (loss)	(2,214)	(1,757)
(Deficit) in scheme at the end of year	(7,343)	(6,986)

Analysis of Amount Credited to Other Finance Income

	2003	2002
Expected return on pension scheme assets	576	586
Interest on pension scheme liabilities	(821)	(810)
Net Return	(245)	(224)

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2003	2002
Actual return less expected return on pension assets	706	(2,374)
Experience gains and losses arising on the scheme liabilities	(32)	(433)
Changes in financial assumptions underlying the scheme liabilities	(2,888)	1,050
Actuarial (loss) recognised in STRGL	(2,214)	(1,757)

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

23 (Cont) PENSION BENEFIT

History of Experience Gains and Losses

	2003	2002
	£ 000	£ 000
Difference between the expected and actual return on scheme assets	706	(2,374)
Percentage of scheme assets	6%	(32)%
Experience gains and losses on scheme liabilites	(32)	(433)
Percentage of the present value of the scheme liabilities	0%	(3)%
Total amount recognised in statement of total recognised gains and losses	(2,214)	(1,757)
Percentage of the present value of the scheme liabilities	12%	(12)%

Summary

In order to mitigate the potential shortfall in the fund the Company has:

- Closed the defined benefit scheme to new members with effect from 31 December 2000.
- Made an additional capital payment into the fund of £2,250,000 during 2003.

The Company is committed to making further additional payments to this scheme to rectify the shortfall. The exact timing and amounts are to be agreed and will depend in part on the future performance of the scheme.

MMA Insurance plc

Notes to the Financial Statements continued
For the Year Ended 31 December 2003

24 ULTIMATE PARENT COMPANY

(a) The ultimate parent company is La Mutuelle du Mans Assurances IARD, a company incorporated in France. Copies of the group accounts prepared by the parent company can be obtained from the registered office, the address of which is shown on page 41.

(b) Group Company Balances

Included in debtors arising out of direct insurance operations:
- *Balances due from intermediaries – are the following:*

	2003	2002
	£ 000	£ 000
Due from subsidiary companies	7	458
Due from fellow subsidiary companies	2,883	2,675

Included in balances arising out of reinsurance operations are the following:

Due to parent company	(327)	(506)
Due to fellow subsidiary companies	(187)	(132)

Other Balances are reflected in notes 12 and 19.

25 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption allowed by Financial Reporting Standard 8 – Related Party Disclosures, from disclosing transactions with entities within the group.

There were no other material related party transactions.

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