

AGF HOLDINGS (UK) LIMITED

DIRECTORS' REPORT

Directors: F Thomazeau (Chairman)
G R Stratford (Managing Director)
J Azouz
B Redon
C J Kiddle Morris

Secretary: C J Kiddle Morris

Registered Office: 57 Ladymead, Guildford, Surrey, GU1 1DB

Auditors: Ernst & Young LLP, 1 More London Place,
London SE1 2AF

Registered No: 1141570

The Directors present their Report for the year ended December 31, 2003.

ACCOUNTS

The Directors submit the audited accounts of the Company for the year ended December 31, 2003. The results for the year are shown in the Profit and Loss Account on page 6.

The Directors do not recommend the payment of a dividend (2002: nil).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

AGF Holdings (UK) Limited is a parent company and most of the activities of the group are conducted through subsidiary companies. The principal activity of the group is the settlement of claims arising on non-life insurance in the United Kingdom conducted through its main subsidiary AGF Insurance Limited.



AGF HOLDINGS (UK) LIMITED

DIRECTORS' REPORT

DIRECTORS

The Directors shown above served throughout the year, apart from C J Kiddle Morris who was appointed a Director on July 11, 2003. W R Treen ceased to be a Director on June 30, 2003.

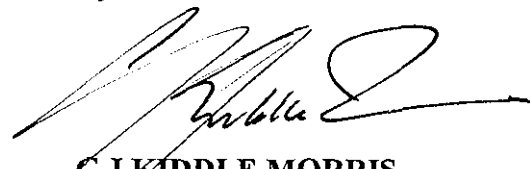
SUPPLIERS

It is the policy of the Company to make known to and agree terms of payment with its suppliers when entering into transactions with them and to keep to those terms. Payment practice is 12 days (2002: 12 days) calculated in accordance with the statutory regulations.

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



C J KIDDLE MORRIS
SECRETARY

February 20, 2004

AGF HOLDINGS (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which show 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 in 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 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.

AGF HOLDINGS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGF HOLDINGS (UK) LIMITED

We have audited the Company's accounts for the year ended December 31, 2003 which comprise the Profit and Loss Account, Balance Sheet and Statement of Total Recognised Gains and Losses and related notes 1 to 19. These accounts 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 auditors' report and for no other purpose. To the fullest extent permitted by the 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

The Directors' responsibilities for preparing the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the accounts 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 accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

AGF HOLDINGS (UK) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGF HOLDINGS
(UK) LIMITED (continued)**

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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at December 31, 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.

Ernst & Young LLP
Registered Auditor

London

February 29, 2004

AGF HOLDINGS (UK) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2003**

	Notes	2003 £'000	2002 £'000
TURNOVER	2	1,430	2,037
Operating costs		<u>1,510</u>	<u>2,117</u>
Operating loss	3	(80)	(80)
Interest receivable		<u>91</u>	<u>131</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11	51
Taxation	7	<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>11</u>	<u>51</u>

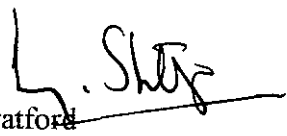
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED DECEMBER 31, 2003**

The Company has no recognised gains or losses other than those amounts shown in the Profit and Loss Account.

AGF HOLDINGS (UK) LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Investments in subsidiary undertakings	8	64,364	64,364
Investments	9	<u>3,076</u>	<u>3,771</u>
		67,440	68,135
CURRENT ASSETS			
Debtors	10	678	782
Cash at bank and in hand		<u>82</u>	<u>88</u>
		760	870
CREDITORS – amounts falling due within one year	16	<u>3,655</u>	<u>4,099</u>
NET CURRENT LIABILITIES		<u>(2,895)</u>	<u>(3,229)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		64,545	64,906
PROVISION FOR LIABILITIES AND CHARGES			
Provision for pension costs	13	325	469
Other provisions	15	<u>685</u>	<u>913</u>
		1,010	1,382
TOTAL ASSETS LESS LIABILITIES		<u>63,535</u>	<u>63,524</u>
CAPITAL AND RESERVES			
Called-up share capital	11	201,631	201,631
Non distributable reserve	12	78,533	78,533
Profit and loss account	12	<u>(216,629)</u>	<u>(216,640)</u>
Shareholders' funds attributable to equity interests	12	<u>63,535</u>	<u>63,524</u>


 G R Stratford
 Director

February 20, 2004

AGF HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Advantage has been taken of the exemptions available under Financial Reporting Standard No. 8 paragraph 3 section (c), which does not require disclosure in the accounts of related party transactions where 90% or more of the Company's voting rights are controlled within the same group.

Basis of presentation

The Company is exempt from preparing group accounts by virtue of the Companies Act 1985, as it is a subsidiary undertaking of an EU parent (see note 19). The accounts present information about the Company as an individual undertaking and not about the group.

Investments

Unlisted investments are stated at directors' valuation.

Investment income is recognised on an accruals basis.

Realised gains and losses are calculated as the difference between net proceeds on disposal and their original purchase price.

Subsidiary undertakings

Subsidiary undertakings are stated in the Company's balance sheet at cost or net realisable value, if lower, where the directors consider that there is a permanent diminution in value.

AGF HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (Continued)

Deferred taxation

In accordance with FRS19, 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.

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

Pension costs

The Company participates in a group defined benefit pensions scheme open to all permanent employees of the AGF group over a qualifying minimum age. The assets of the scheme are held in a separate trustee administered fund. Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The assumptions used are those of the latest actuarial valuation with the exception of the rate of return and salary increase assumptions which may differ according to the actuary's latest best estimate.

Actuarial surpluses or deficits in the scheme are amortised over the expected remaining service lifetime of employees.

Pension costs are accounted for in accordance with the provisions of Statement of Standard Accounting Practice No. 24.

2. TURNOVER

Turnover is derived from the provision of services to the main operating subsidiary, AGF Insurance Limited.

AGF HOLDINGS (UK) LIMITED

NOTES TO THE ACCOUNTS

3. OPERATING LOSS

	2003 £'000	2002 £'000
Is stated after charging:		
Auditors' remuneration		
- audit fees	5	5

4. DIRECTORS' EMOLUMENTS

No fees or other emoluments were paid to Directors for the year (2002 - Nil). No pension contributions were made on behalf of directors and no pension benefits were paid.

5. DIRECTORS' INTERESTS

Directors' interests in ordinary non-voting shares of Allianz Cornhill Insurance plc as shown by the register kept in accordance with Section 325 of the Companies Act 1985, together with details of their options to purchase shares under Share Option Schemes and shares which have been allotted under the Profit-Sharing Share Scheme are set out below:-

	Beneficially Owned		Executive Share Option Scheme		Profit-Sharing Share Scheme	
	1.1.03*	31.12.03	1.1.03*	31.12.03	1.1.03*	31.12.03
G R Stratford	718	718	900	900	59	59
C J KiddleMorris	101	101	-	-	42	42

* Or date of appointment, if later.

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

6. STAFF NUMBERS AND COSTS

The average number of Company employees during the year, including executive employees, was as follows:

	2003	2002
Management	2	3
Administration	10	15
	<u>12</u>	<u>18</u>

The aggregate payroll cost of these persons was as follows:

	£'000	£'000
Salaries	548	935
Social security costs	81	84
Other pension and life assurance costs	741	972
	<u>1,370</u>	<u>1,991</u>

The above costs were recharged to subsidiary companies.

7. TAXATION

	2003 £'000	2002 £'000
(a) Analysis of charge in period		
UK corporation tax at 30% (2002 - 30%)	<u>-</u>	<u>-</u>

(b) Factors affecting tax charge for the period

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

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	11	51
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2002 - 30%)	3	15
Effects of:		
Losses c/f	117	-
Capital allowances	(9)	(12)
Release of reserves	(111)	(3)
Current tax charge for period (note 7(a))	<u>-</u>	<u>-</u>

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

7. TAXATION (continued)

(c) Factors that may effect future tax charges

As at the balance sheet date, there were no items that would materially affect the future tax charge.

8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Proportion of Nominal Value of Ordinary Shares held by the Company %
Non-life insurance:	
AGF Insurance Limited	100
Insurance services:	
AGFARC Limited	100
Management services:	
NEM Business Services Limited	100
Johneve Limited	100

The Company made no adjustment to the valuation of its principal operating subsidiary, AGF Insurance Limited, during the year. In 1998 the Company provided £128.3m against the cost of investment of AGF Insurance Limited. In addition provisions of £0.2m (2002 - £0.2m) are held against the cost of investments in other subsidiary undertakings.

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

9. INVESTMENTS

	Current Value		Historical Cost	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Other financial investments				
Equities	10	10	10	10
Fixed interest securities	221	221	221	221
Deposits with credit institutions	<u>2,845</u>	<u>3,540</u>	<u>2,845</u>	<u>3,540</u>
	<u>3,076</u>	<u>3,771</u>	<u>3,076</u>	<u>3,771</u>

The Company's investments in equities and other fixed interest securities comprise wholly unlisted securities.

10. DEBTORS

	2003 £'000	2002 £'000
Amounts owed by group undertakings	671	671
Prepayments and accrued income	<u>7</u>	<u>111</u>
	<u>678</u>	<u>782</u>

11. SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
Ordinary shares of £1 each	<u>201,631</u>	<u>201,631</u>
Allotted, called-up and fully paid		
Ordinary shares of £1 each	<u>201,631</u>	<u>201,631</u>

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £'000	Non Distributable Reserve £'000	Profit & Loss Account £'000	Total £'000
2002				
At 1 January	201,631	78,533	(216,691)	63,473
Profit for the year	-	-	51	51
At 31 December	201,631	78,533	(216,640)	63,524
2003				
At 1 January	201,631	78,533	(216,640)	63,524
Profit for the year	-	-	11	11
At 31 December	201,631	78,533	(216,629)	63,535

13. PROVISION FOR PENSION COSTS

	2003 £'000	2002 £'000
At 1 January	469	224
(Release)/additional	(144)	245
At 31 December	325	469

The latest full actuarial valuation at March 31, 2002 showed the actuarial value of scheme assets was sufficient to cover 94% of the benefits that had accrued to members after allowing for expected future salary increases. The market value of the scheme's net assets at that date amounted to £96.9m. The main assumptions used in the actuarial valuation include: investment return at 6.2%; increase in pensionable salaries at 4.3%; and rate of increase in pensions in payment at 3.4% to April 5, 1997, and 3.6% from April 6, 1997.

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

13. PROVISION FOR PENSION COSTS (continued)

Following the above actuarial valuation, £0.1m was deducted from the provision to achieve the consulting actuary's recommended provision.

On the advice of the actuary and with effect from 1st April 2002, the employer is contributing at 26% of relevant earnings.

Additional disclosure required under FRS17 'Retirement Benefits'.

The Company has continued to account for pensions in accordance with SSAP24 and the disclosures given above are those required by that standard. FRS17 'Retirement Benefits' was issued in November 2000 but will not be mandatory for the Company until the year ended December 31, 2005. Prior to this, phased transitional disclosures are required and these are dealt with below.

The full actuarial valuation of the scheme that was carried out at March 31, 2002 has been updated to December 31, 2003 by a qualified independent actuary. The major assumptions used by the actuary to calculate the liabilities under FRS17 at December 31, 2003 were

	2003	2002
	% per annum	% per annum
Rate of increase in salaries	4.3	3.8
Rate of increase in pensions accrued before April 6, 1997	3.4	3.3
Rate of increase in pensions accrued after April 5, 1997	3.6	3.5
Discount rate	5.4	5.5
Inflation assumption	2.8	2.3

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

13. PROVISION FOR PENSION COSTS (continued)

The value of assets in the scheme and expected long term rate of return were:

	Long term rate of return expected at 31 December 2003	Value at 31 December 2003 £m	Long term rate of return expected at 31 December 2002	Value at 31 December 2002 £m
Equities	7.8	53.4	7.5	48.5
Government Bonds	4.8	18.1	4.5	15.1
Index-linked Bonds	4.5	4.4	4.25	15.7
Corporate Bonds	5.1	10.6	-	-
Other	4	1.1	4	1.0
Total fair value of assets		87.6		80.3
Present value of scheme liabilities		(122.3)		(115.1)
Gross pension scheme liability		(34.7)		(34.8)

The following amounts would have been recognised in the Company's performance statements in the year to December 31, 2003:

Analysis of the amount charged to operating profit	2003 £m	2002 £m
Current service cost (employer's part)	0.1	0.2
Past service cost	0.0	0.0
Total operating charge	0.1	0.2
Analysis of the amount credited to investment income	£m	£m
Expected return on pension scheme assets	(5.0)	(6.3)
Interest on pension scheme liabilities	6.2	6.4
Total charge	1.2	0.1

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

13. PROVISION FOR PENSION COSTS (continued)

	2003 £m	2002 £m
Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	6.3	(19.6)
Experience gains arising on scheme liabilities	-	4.7
Changes in assumptions underlying the present value of scheme liabilities	<u>(5.9)</u>	<u>(6.6)</u>
Actuarial gain recognised	<u>0.4</u>	<u>(21.5)</u>

In accordance with transitional rules of FRS17, 'Retirement Benefits', the pension scheme liability has not been recognised in the balance sheet.

Movement in deficit during the year

	2003 £m	2002 £m
Deficit in the scheme at the beginning of the year	(34.8)	(13.7)
<u>Movement in year:</u>		
Current service cost	(0.1)	(0.2)
Contributions	1.0	0.7
Past service costs	-	-
Other investment income	(1.2)	(0.1)
Actuarial gain	<u>0.4</u>	<u>(21.5)</u>
Deficit in the scheme at the end of the year	<u>(34.7)</u>	<u>(34.8)</u>

The defined benefits scheme was closed on March 31, 2001 and therefore, under the projected unit method, the current service cost will increase as a percentage of relevant earnings as the members of the scheme approach retirement.

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

13. PROVISION FOR PENSION COSTS (continued)

The valuation of the defined benefit scheme at December 31, 2003 showed a decrease in the deficit from £34.8m to £34.7m. Employer contributions were £0.9m in respect of past service and £0.1m in respect of current service. £0.3m of contributions made relate to outstanding contributions from the prior year. It has been agreed with the Trustees that employer contributions will be 26% of relevant earnings from April 1, 2002 subject to review at the next full actuarial valuation due no later than March 31, 2005.

14. PROVISION FOR DEFERRED TAXATION

No amounts of deferred tax have been provided at December 31, 2003 or 2002.

15. OTHER PROVISIONS

The Company is utilising the provision for the future liability regarding its shareholder contribution to LUC Holdings Limited.

	2003 £'000	2002 £'000
At 1 January 2003	913	1,280
Utilisation	<u>(228)</u>	<u>(367)</u>
At 31 December 2003	<u>685</u>	<u>913</u>

16. CREDITORS

	2003 £'000	2002 £'000
Amounts owed to group undertakings	<u>3,655</u>	<u>4,099</u>
	<u>3,655</u>	<u>4,099</u>

All creditors are payable within one year.

17. CONTINGENT LIABILITIES

The Company has guaranteed the bank borrowings of certain subsidiary undertakings up to a maximum of £1.0m (2002 - £1.0m).

AGF HOLDINGS (UK) LIMITED

NOTES ON THE ACCOUNTS

18. CASH FLOW STATEMENT

The accounts do not contain a cash flow statement as the Company is a wholly owned subsidiary within the AGF International Group which itself publishes its consolidated accounts in accordance with the EU Seventh Company Law Directive. These accounts contain a consolidated cash flow statement dealing with the cash flows of the group.

19. PARENT UNDERTAKINGS

The ultimate parent undertaking Allianz Aktiengesellschaft, is incorporated in Germany and copies of the group accounts are available on request from the Company at Koniginstrasse 28, 80802 Munchen, Germany.

AGF International SA is the parent undertaking of the smallest group of undertakings of which the Company is a member and for which group accounts are drawn up. AGF International SA is incorporated in France and group accounts are available from the Company Secretary, 87 Rue de Richelieu Paris 75113, France.