

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

JSE share code: MAF
ISIN:ZAE000010823
NSX share code: MTF

Reviewed financial results for the year ended 31 December 2003

INCOME STATEMENT	31/12/03	31/12/02	Change
	R'm	R'm	%
Gross premiums	6,486	5,603	16
Net underwriting surplus	392	116	
Net investment income / (deficit)	555	(118)	
Goodwill and retrenchment costs	(21)	(37)	
Income/(loss) before taxation	926	(39)	
Taxation	(253)	(65)	
Income/(loss) after taxation	673	(104)	
Income attributable to preference shareholders in subsidiary (note 1)	(36)	0	
Share of associated companies net income / (loss)	33	(6)	
Net income/(loss)	670	(110)	

Earnings per share

(a) Headline earnings per share are calculated on net income adjusted for goodwill.

Determination of headline earnings		
Net income/(loss)	670	(110)
Goodwill	21	21
Headline earnings/(loss)	691	(89)
Headline earnings/(loss) per share (cents)	283	(37)

(b) Basic earnings per share are based on net income after goodwill and retrenchment costs.

Basic earnings per share		
Basic earnings/(loss) per share (cents)	274	(45)
Ordinary dividend per share (cents)	73	64
Combined ratio (%) (note 3)	93.1	97.6
Net asset value per share (cents)	1,406	1,207
Number of shares in issue (million)		
- at period end	245.2	243.3
- weighted average	244.1	242.8

BALANCE SHEET	As at 31/12/03	As at 31/12/02
	R'm	R'm
Assets		
Non-current assets	4,552	3,016
Fixed assets	196	157
Investments at market value	4,024	2,595
Ordinary shares	2,707	2,199
Government stock	84	130
Money market deposits and other	1,233	266
Investment in associated companies	190	96
Goodwill	142	163
Deferred taxation	0	5
Technical assets	1,006	884
Current assets	1,645	2,757
Trade and other receivables	708	972
Cash and cash equivalents	937	1,785
Total assets	7,203	6,657
Equity and liabilities		
Capital and reserves	3,448	2,937
Interest of outside shareholders in subsidiaries	2	2
Interest of preference shareholders in subsidiary	36	0
Non-current liabilities	192	240
Technical provisions	3,169	2,898
Current liabilities and provisions	356	580
Total equity and liabilities	7,203	6,657

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

Reviewed financial results for the year ended 31 December 2003(continued)

STATEMENT OF CHANGES IN EQUITY	Share	Contingency	Retained	
R'm	capital	Reserve	income	Total
Balance at 1 January 2003	124	423	2,390	2,937
Restatement due to application of Statement AC 133 (note 4)			(11)	(11)
Net income for the period			670	670
Transfer to contingency reserve		100	(100)	-
Dividends paid			(163)	(163)
Issue of share capital	15			15
Balance at 31 December 2003	139	523	2,786	3,448

CASH FLOW STATEMENT	31/12/03	31/12/02
	R'm	R'm
Cash generated by operations	592	157
Net underwriting surplus	392	116
Retrenchment costs	-	(16)
Increase in net technical provisions	149	84
Depreciation of fixed assets	45	45
Profit on sale of fixed assets	(2)	(3)
Decrease/(increase) in other working capital	8	(69)
Investment income	339	306
Cash generated by operating activities	931	463
Taxation paid	(261)	(105)
Cash available from operating activities	670	358
Dividends paid	(163)	(140)
Cash retained from operating activities	507	218
Cash (utilised in)/generated by investing activities	(1 370)	646
(Increase)/decrease in funding requirements	(863)	864
Cash effects of financing activities		
Proceeds from issue of shares	15	9
(Decrease)/increase in cash and cash equivalents	(848)	873

NOTES

1. Preference shareholders

The group operates an insurance subsidiary which offers cell captive facilities to clients. Underwriting surpluses which accrue in respect of these arrangements ultimately belong to clients and are therefore excluded from group earnings.

2. Accounting policies

These financial results for the year have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies applied in the preparation of these financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2002 with the exception of item 4 below.

3. Combined ratio

This reflects the ratio of total insurance expenditure to net earned premiums.

4. Change in accounting policy

During the period the company changed its accounting policy with regard to the recognition and measurement of certain financial instruments in terms of AC 133. The cumulative effect of this change in policy has been adjusted against the opening balance of retained income in 2003.

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

Reviewed financial results for the year ended 31 December 2003(continued)

SUPPLEMENTARY INCOME STATEMENT

	31/12/03	31/12/02	Change
(Reflecting long-term rate of return adjustment)	R'm	R'm	%
Technical account (note A)			
Gross premiums	6,486	5,603	16
Net premiums	5,608	4,886	15
Earned premiums net of reinsurance	5,683	4,806	
Claims incurred net of reinsurance	(3,878)	(3,515)	
Acquisition expenses	(971)	(767)	
Management expenses	(442)	(408)	
Net underwriting surplus	392	116	
Attributable to ordinary shareholders	340	116	193
Attributable to preference shareholders in subsidiary (note 1)	52	0	
<i>Investment return on insurance funds (note B)</i>	<i>210</i>	<i>195</i>	8
General insurance result	602	311	94
<i>Long-term investment return on shareholders' funds (note B)</i>	<i>395</i>	<i>387</i>	2
Operating income based on long-term investment return	997	698	43
Non-technical account (note A)			
Short-term investment fluctuations	(50)	(700)	
Dividends, interest and property income	339	306	
Realised surplus on investments	56	313	
Unrealised surplus/(deficit) on investments	160	(737)	
<i>Allocated investment return transferred to technical account (note B)</i>	<i>(605)</i>	<i>(582)</i>	
Retrenchment costs	0	(16)	
Goodwill	(21)	(21)	
Income/(loss) before taxation	926	(39)	
Taxation (including secondary tax on companies)	(253)	(65)	
Income/(loss) after taxation	673	(104)	
Income attributable to preference shareholders in subsidiary (note 1)	(36)	0	
Share of associated companies net income / (loss)	33	(6)	
Net income/(loss)	670	(110)	

Operating earnings per share

Operating earnings per share are calculated on net income adjusted for goodwill, retrenchment costs, short-term investment fluctuations net of taxation and secondary tax on companies.

Determination of operating earnings

Net income/(loss)	670	(110)	
Goodwill	21	21	
Retrenchment costs	0	16	
Short-term investment fluctuations	50	700	
Taxation effect of short-term investment fluctuations	28	(96)	
Secondary tax on companies	11	10	
Operating earnings	780	541	44
Operating earnings per share (cents)	320	223	43

NOTES TO THE SUPPLEMENTARY INCOME STATEMENT

A. Presentation

The results for the year are shown in the income statement. To present these in a meaningful way, a supplementary income statement is provided and separated into :

(a) A technical account

The technical account includes a long-term investment return of 13,4% (2002: 14,0%) on both:

(1) funds generated by the insurance activities; (2) shareholders' funds

(b) A non-technical account

The non-technical account includes all non-insurance related activities including investments, and above mentioned allocated investment returns transferred to the technical account.

B. Allocation

The investment return on investments supporting insurance activities is allocated to the technical account in determining the General Insurance Result. In addition the long-term investment return on investments supporting shareholders' funds is allocated from the non-technical account to the technical account in determining an operating income based on the long-term investment return. The allocations accordingly negate one another in the determination of income before tax.

The long-term investment return on shareholders' funds is an estimate of the long-term trend investment return for the

MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

Reviewed financial results for the year ended 31 December 2003(continued)

COMMENTS

During 2003 ongoing attention was given to the correction of under-performing portfolios and the cancellation of unprofitable business. The 16% growth in gross premiums is accordingly satisfactory and reflects the increase in rates during 2003.

Trading conditions during the year were favourable and the improvement in the underwriting surplus attributable to ordinary shareholders from R116 million to R340 million follows increased focus on premium rates, a decline in the level of weather-related losses and increased controls over claims expenditure. Most sectors of the business recorded satisfactory performances but fire and engineering accounts continued to be adversely affected by an ongoing high incidence of commercial and industrial claims.

The result on the motor account improved following more stringent underwriting but poor driving standards continue to cause a high level of claims in some areas and further premium increases will be required.

Dividend income for the year was disappointing following a decline in the level of dividends paid by listed equities, but interest income remained at a high-level following substantial levels of cash holdings. The value of listed equities appreciated during the period and the overall investment income for the year was accordingly satisfactory.

The General Insurance Result increased from R311 million to R602 million and the operating earnings for the year accordingly grew from 223 cents to 320 cents per share.

The net asset value per share increased by 16% from 1207 cents to 1406 cents following the improvement in the value of listed equities and the positive trading results for the period. The solvency margin (being the ratio of net assets to net premiums) has improved and was in excess of 60% at 31 December 2003.

The Board remains cautiously optimistic of the prospects for underwriting surpluses in 2004. Market conditions remain conducive to underwriting profitability, but it should be noted that a return to more normal weather conditions will lead to an increase in claims expenditure.

OFFER BY OLD MUTUAL SOUTH AFRICA

The attention of shareholders is drawn to an announcement by directors on 20 January 2004 advising that Old Mutual South Africa intends to acquire all of the issued shares in Mutual & Federal. Further information in this regard will be provided to shareholders once it becomes available.

COMPLIANCE

The company complies in all material respects with the requirements of the JSE and the King Report Code of Corporate Practices and Conduct.

REVIEW

The results announcement has been reviewed by the company's external auditors, KPMG Inc. A copy of their unqualified review opinion is available at the company's registered office.

DECLARATION OF DIVIDEND (NUMBER 67)

A final dividend of 48 cents per share has been declared payable to shareholders in respect of the twelve months to 31 December 2003.

In accordance with the trading requirements under the STRATE environment, the last day to trade to participate in the final dividend will be Friday, 12 March 2004. The shares will commence trading ex-dividend on Monday, 15 March 2004, and the record date will be Friday, 19 March 2004. Payment will be made on Tuesday, 23 March 2004.

Share certificates may not be dematerialised or rematerialised between Monday, 15 March and Friday, 19 March 2004, both days inclusive.

On behalf of the Board

K T M Saggars (Chairman)

B Campbell (Managing Director)

Registered Office: 19th Floor, Mutual & Federal Centre, 75 President Street, Johannesburg 2001
Transfer Secretaries: Computershare Limited, 70 Marshall Street, Johannesburg 2001
Sponsor: Nedbank Corporate, No. 1 Newtown Avenue, Killarney, 2193
10 February 2004.

Website: www.mf.co.za
E-mail: investor@mf.co.za