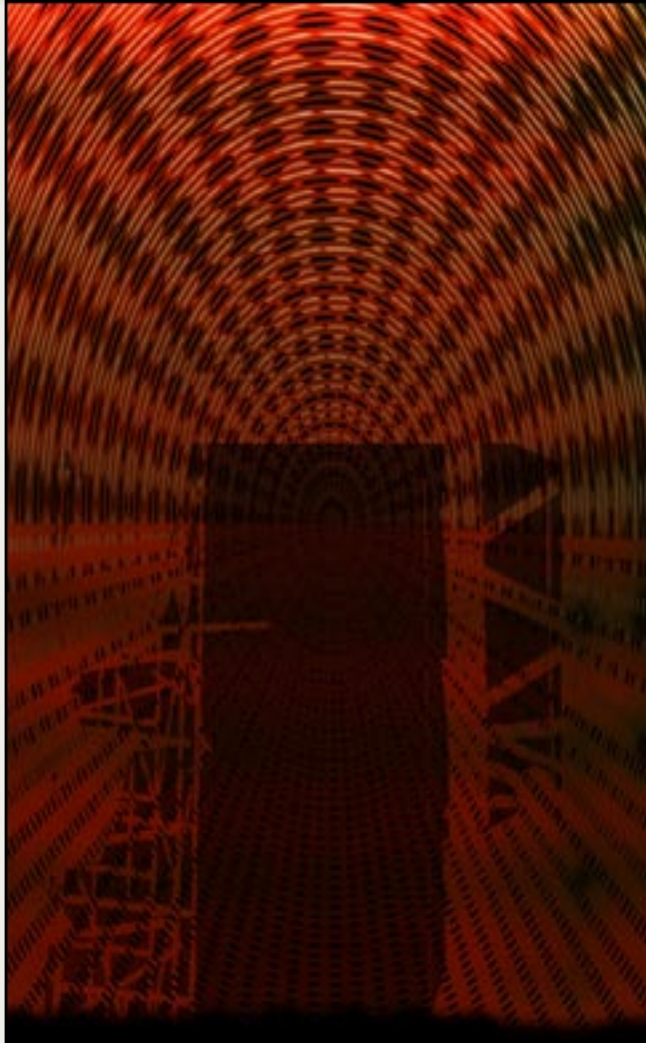


**EMANI**  
**ANNUAL REPORT 2003**



Annual Report 2003  
of the Board of Directors  
and of the Statutory Auditor  
to be presented at  
The Annual General Meeting  
on 4th June 2004

Company authorised by Royal Decrees of  
20.10.1978 and 07.12.1999

To underwrite "Fire and Natural Hazards"  
"Other Property Damage" and "Liability"

(Moniteur Belge 14.11.1978 - 29.12.1999 Code 0921)

Registered Office: Rue de la Fusée, 100 - B 15

B 1130 Brussels

Belgium

Tel. +32 (0)2 702 90 10

Fax. +32 (0)2 705 72 92

## Financial Highlights

In euro

years ended december 31,

### Statement of Earnings

	2003	2002	2001
Net premium earned	13.350.124	11.583.827	9.539.101
Claims	-6.124.763	-25.243.126	-4.429.455
Expenses	-1.825.545	-1.727.408	-1.463.142
Other income	6.725	6.719	18.686
Net investment result	2.173.423	-723.883	-1.143.828
Earnings before distribution to reserve for equalisation and catastrophies	<b>7.579.964</b>	<b>-16.103.871</b>	<b>2.521.362</b>

### Balance Sheet

Assets	77.851.170	78.853.122	92.951.477
Liabilities	5.359.304	11.777.797	9.750.661
Guarantee fund (including reserve for equalisation and catastrophies)	72.491.866	67.075.325	83.200.816



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## Members

AKEB  
Belgoprocess NV  
BKW FMB Energie  
British Energy Plc  
British Nuclear Fuels Plc  
Bruce Power L.P.  
CNP  
COGEMA  
EDF  
EPZ NV  
EnBW Kraftwerke AG  
E.ON Kernkraftwerk GmbH  
ESKOM Act  
Eurodif Production  
FBFC  
FBFC International SA  
Forsmarks Kraftgrupp AB  
Fortum Power & Heat Oy  
Gemeenschappelijk Centrum voor Onderzoek  
Gemeenschappelijke Kernenergiecentrale Nederland NV  
Gemeinschaftskernkraftwerk Grohnde GmbH  
Gemeinschaftskraftwerk Neckar GmbH  
GNS  
Hamburgische Electricitäts-Werke AG  
Institute for Transuranium Elements  
ISPRA  
Kernkraftwerk Gösgen-Däniken  
Kernkraftwerk Leibstadt  
Kernkraftwerk Lippe-Ems GmbH  
Kernkraftwerk Obrigheim GmbH  
Magnox Electric Ltd  
NOK  
OKG Aktiebolag  
Paks Nuclear Power Plant Ltd  
PURAM  
Ringhals AB  
RWE Power AG  
SCK-CEN  
SKB AB  
Slovenske Elektrarne AS  
Socatri  
Studsvik AB  
Sydkraft AB  
Teollisuuden Voima Oy  
ZWILAG

## Member Representatives

Member	Representative	Substitute
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### Belgium

Belgoprocess NV	A.Boven	
FBFC International SA	P.E.Michel	G. Lamand
SCK-CEN	C. Legrain	

### Canada

Bruce Power L.P	D. Bishop	J. Jackson
-----------------	-----------	------------

### Finland

Fortum Power & Heat Oy	H. Raumolin	J. Sipinen
Teollisuuden Voima Oy	K. Luotonen	R. Siilos

### France

COGEMA	J.D Treillard	
EDF	J. M. Boudier	Y. Colleu
Eurodif Production	J.L. Carbonell	M. Saléra-Cordier
FBFC	G. Ferriot	P.E. Michel
Socatri	M. Saléra-Cordier	J.L. Carbonell

### Germany

EnBW Kraftwerke AG	C.D. Bülle	
E.ON Kernkraftwerk GmbH	K. Greimel	H. Watermann
Gemeinschaftskernkraftwerk Grohnde GmbH	K.D. Hackmann	H. Watermann
Gemeinschaftskernkraftwerk Neckar GmbH	W. Heni	G. Erös
GNS	H. Näser	
Hamburgische Electricitäts-Werke AG	H.H. Fahrenkamp	
Institute for Transuranium Elements	J. Ribeiro	
Kernkraftwerk Lippe-Ems GmbH	J. Haaf	J. Böning
Kernkraftwerk Obrigheim GmbH	E. Ehrmann	R. Lüdascher
RWE Power AG	J. Haaf	J. Böning



## Member Representatives

Member	Representative	Substitute
<b>Great Britain</b>		
British Energy Plc	J. Jackson	
British Nuclear Fuels Plc	A.J. Shuttleworth	D.C. Rodliffe
Magnox Electric Ltd	D.C. Rodliffe	A.J. Shuttleworth
<b>Hungary</b>		
Paks Nuclear Power Plant Ltd	G. Kúzdy	
PURAM	I. Barnabas	G. Buday
<b>Italy</b>		
Ispra	G. Brugnani	
<b>The Netherlands</b>		
EPZ NV	H. Schoenmakers	
Gemeenschappelijke Kernenergiecentrale Nederland NV	J.J. Post	G.J. Mensink
Gemeenschappelijke Centrum voor Onderzoek	P. Lemaître	
<b>Slovak Republic</b>		
Slovenske Elektrarne AS	S. Haring	
<b>South Africa</b>		
ESKOM Act	I. Kotane	
<b>Sweden</b>		
Forsmarks Kraftgrupp AB	B. Kockum	S. Ordéus
OKG Aktiebolag	R. Danielsson	
Ringhals AB	M.P. Ekman	O. Fröberg
Svensk Kärnbränslehantering AB	B. Sundman	
Studsvik AB	R. Atmer	J. Ericsson
Sydskraft AB	B. Svensson	T. Andersson
<b>Switzerland</b>		
AKEB	J. Marti	
BKW FMB Energie	U. Bircher	
CNP	P. Schaer	P. Enderli
Kernkraftwerk Gösgen Däniken	K. Rahm	
Kernkraftwerk Leibstadt	J. Marti	
NOK	D. Martenet	P. Enderli
ZWILAG	T. Erb	

## Board of Directors

Berndt Kockum  
Chairman

Jose Luis Carbonell  
Vice-Chairman

Alvin J. Shuttleworth  
Vice-Chairman

Claus- Dieter Bölle

Jean-Marie Boudier

Alisdair Currie  
Management Committee

Nick Feldman  
External Director

Klaus Greimel

John Jackson

Isaac Kotane

Danny Van Welkenhuyzen  
Management Committee

Léon Vigneron  
External Director

## **Management**

Danny Van Welkenhuyzen  
General Manager

Alisdair Currie  
Office Manager

Eric Dessey  
Loss Control Manager

Christine Gouennou  
Executive Secretary

Marleen Vercammen  
Accountant

## **Auditors**

Deloitte & Partners  
Berkenlaan 8b  
B 1831 Diegem

Represented by  
Mr. Rik Neckebroeck  
Réviseur d'Entreprise



## Letter from the Chairman

Dear EMANI members,

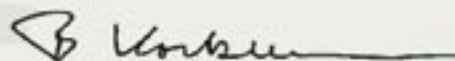
It is with great pleasure that I present to you, once again, the Annual Report of EMANI.

2003 has been another successful and constructive year for EMANI, with significant developments and continued growth. New structures and procedures have been put in place, in order to secure and improve the financial base of our Mutual and to ensure that we can continue to offer as much support as possible to our valued Members, under the most favorable conditions.

The management staff has increased from five to seven over the last year, to allow us to continue to provide our Members with the efficient and professional service which they expect, in the context of the ever-increasing business of the Mutual.

The growth of EMANI continued in 2003, with the admission of one new insured Member, and the birth of our sister company ELINI, offering further Nuclear Liability capacity. This expansion is undertaken with a view to providing even greater solidarity and security for our Members.

EMANI is a unique source of support for its Members, and we look forward to putting our considerable experience and expertise at your disposal over the next twelve months, and the years to come.



**Berndt Kockum**  
Chairman of the board

## **Description of activities**

EMANI is a mutual insurance association which offers cover for certain insurance risks relating to nuclear power stations and other companies in the nuclear industry. The present members of EMANI include nuclear facilities in Belgium, Canada, Finland, France, Germany, Hungary, Italy, The Netherlands, The Slovak Republic, South Africa, Sweden, Switzerland and United Kingdom.

The capacity provided by EMANI is independent of that provided by the various nuclear pools.

The main benefits to members of EMANI include:

Additional or alternative insurance capacity for material damage, business interruption, and nuclear liability risks.

Potential for contribution savings.

Potential for distribution of guarantee fund.

Loss control and engineering evaluations.

Information exchange and data centre for nuclear insurance matters.

## **Underwriting & Claims Handling**

EMANI's current portfolio is principally based on property damage cover but the proportion of nuclear liability risks insured by the Association has grown steadily in recent years.

Whether EMANI is acting as leading underwriter or as coinsurer, the Member is entitled to a rebate on his contribution as determined by the Board of Directors. Increasingly, Members are electing to take advantage of the comprehensive cover embraced by the EMANI wording and the EMANI rating structure.

In the event of a claim, EMANI will generally follow the recommendations and assessment made by the loss adjustor, however in the event of a major claim, the Management will decide whether EMANI should appoint independent adjustors. Additionally, where EMANI acts as leading underwriter, a local freephone number is provided to Members through which they can report emergencies.

Article 26 of the Articles of Association provides for additional contributions from Members if required to meet claims.

## **Reinsurance**

EMANI purchases reinsurance cover to supplement capacity and to spread risk as the Board deems appropriate.

## **Management Structure**

EMANI is a mutual association constituted in Brussels under Belgian law and authorised by Royal Decree on 20th October 1978.(MB 14/11/1978)

The strategic management of the Association is the responsibility of the Board of Directors which, with the exception of those powers expressly reserved for the Annual General Meeting, has full managerial authority.

The administration and day to day management of the association is the responsibility of the General manager together with the Executive Committee.

## **Membership**

A member must be a company or authority in the public or private sector, operating nuclear installations.

Election of a new member shall be submitted to the Board of Directors and shall become effective upon approval by the General Meeting.

A new member shall underwrite at least one insurance policy with the Association and shall unconditionally accept the Articles of Association.

## Report of the Board of Directors To be presented to the Annual General Meeting of 4th June 2004

Dear Member,

At the close of the 25th financial year, we are pleased to report to you on the business of your Mutual for the financial year and to set out below the balance sheet and the income statements for the year ended December 31st, 2003.

The Management of the Company is responsible for all information contained in the financial statements and other sections of the annual report. The Management considers that the financial statements and related information have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances. These financial statements include amounts that are based on Management's judgement and best estimates.

The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded against loss from unauthorised use of disposal and that the accounting records provide a reliable basis for the preparation of financial statements.

Deloitte & Partners has been engaged, with the approval of members, as the independent auditors to audit the financial statements and to express their opinion thereon. Their opinion is based on procedures considered by them to be sufficient to provide reasonable assurance that the financial statements present fairly, in all material respects, the financial position, cash flows and results of operations. Their report is set forth on page 21.

### Capacity

The insurance capacity in the first year of operation amounted to € 8.924.167. In 2003 the capacity was € 700.000.000 and is exactly the same as last year.





## Contributions

Contributions written and reinsurance premiums ceded are reflected in earnings on a pro-rata basis over the term of each policy. Unearned contributions represent the portion of contributions written which are applicable to the non-expired terms of the policies in force.

Net contributions increased from € 28.223.428 in 2002 to € 30.248.613 in 2003 due to contributions for terrorism cover.

Reinsurance cost has increased from € 16.639.602 in 2002 to € 16.898.488 in 2003 as a function of an increase in premiums .

For the purpose of the calculations, contribution is defined as original contribution less rebate.

## General expenses

General expenses increased from € 1.727.408 to € 1.825.544 mainly due to higher salaries, bankcharges and travelcosts.

## Claims

Provisions are made for the estimated cost of incurred losses on the basis of management estimates, based where appropriate on information from the members, their brokers, nuclear pools, claims adjusters, independent consultants and other relevant sources.

## Investments

Book value and estimated fair market value of investments as of December 31, 2003

<b>Euro</b>	<b>Book value</b>	<b>Unrealised capital gains/(losses)</b>	<b>Market value</b>
Shares	0	0	0
Foreign government bonds	34.580.123	321.950	34.902.074
Foreign bonds	15.387.535	507.562	15.895.097
International organisms bonds	0	0	0
Cash investment funds	9.103.557	0	9.103.557
Convertible bond investment fund	1.119.233	45.110	1.164.343
Deposits	12.038.264	0	12.038.264
Others	30.245	51.228	81.473
<b>Total</b>	<b>72.258.958</b>	<b>925.849</b>	<b>73.184.808</b>

Book value and estimated fair market value of investments classified by maturity as of December 31, 2003.

<b>Euro</b>	<b>Book value</b>	<b>Market value</b>
Due in one year or less	22.291.299	22.387.637
Due after 2 years through 3 years	20.422.821	20.889.791
Due after 3 years through 5 years	11.450.971	11.590.305
Due after 5 years through 10 years	10.523.666	10.695.200
Due after 10 years	7.570.201	7.621.875
	<b>72.258.958</b>	<b>73.184.808</b>

## Net Investment Income

<b>Euro</b>	<b>2003</b>	<b>2002</b>
Gains/(losses)	690.540	235.350
Interests and dividend securities	1.787.718	2.078.821
Interests term deposits	278.609	241.897
Interests cash and cash equivalents	60.530	63.174
Adjustements to investement values	-238.520	-2.839.913
Banking expenses	-1.933	-1.294
Withholding taxes	-287.528	-362.431
Investment management fee	-115.993	-139.48
<b>Net investment income</b>	<b>2.173.423</b>	<b>-723.883</b>

## **Result**

The € 7.579.964 surplus for 2003 compares with € 16.103.871 loss in 2002 (before allocation to reserve for equalisation and catastrophies ) as a result of no major claim this year.

The technical surplus for 2003 of € 5.406.541 is allocated to the reserve for equalisation and catastrophies.

The Board of Directors recommends to the Annual General Meeting that the financial surplus of € 2.173.423 be allocated to the guarantee fund.

## **Guarantee Fund**

The guarantee fund and reserve for equalisation now available to the members to be used as insurance capacity amounts to € 72.491.866.

# Corporate Governance Report

To ensure the appropriate level of corporate governance, the Board has put in place arrangements which it believes are suitable for a mutual carrying on insurance business and enable the mutual to comply with the Royal Decree of 12 august 1994 and the communication D171 of 31 march 1999.

The relevant principles of governance are applied to the mutual in the following way :

## The Board

There are currently twelve board members, including the chairman and two vice-chairmen, Eight of them are representing the nuclear members, two non executive directors and two members of the executive committee.

All of the board members are nominated by the Annual General Meeting for a three-year period and eligible for re-appointment.

The board meets four times a year and at other times as may be necessary.

## Board committees

The board has a schedule of matters that it reserves for itself. These matters cover approval of accounts, significant changes to accounting policies, changes to the membership of the board and its committees, recommendations of the strategy to be applied to the members of the association, approval of the annual operating budget.

In addition the board has appointed four standing committees. These committees report to the board at each of their meetings. The terms of reference for the executive committee, audit committee, finance committee and underwriting committee, which are reviewed annually, have been agreed by the members and the board. The nomination of members within these committees must be approved by the board.

## Board and committee papers

Appropriate and timely management information is circulated to directors in good time before the meetings.

## Annual General Meeting

The sections of the Articles of Association relating to the Annual General Meeting have been complied with.

## Internal control

The board is ultimately responsible for the mutual's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatements or loss.

## Control procedures

The mutual have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include reviews by management as well as internal and external audits.

## Risk identification

The executive committee is responsible for the identification and evaluation of the risk underwritten. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources including EMANIs' own loss control service and regulatory requirements and/or authorities.

## Monitoring and corrective actions

The mutual has produced a Code of Business Conducts, which provides practical guidance for all staff.

The internal auditor reports to the internal audit committee on the effectiveness of the procedures

# Statutory Auditor's Report

EUROPEAN MUTUAL ASSOCIATION FOR NUCLEAR INSURANCE

In accordance with the legal and statutory requirements, we are pleased to report to you on our audit assignment which you have entrusted to us.

We have examined the financial statements for the year ended December 31, 2003, which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of € 77.851 (000) and an income statement resulting in a profit of the year of € 2.173 (000).

## Unqualified audit opinion on the financial statements

We conducted our audit in accordance with the standards of the "Institut des Reviseurs d'Entreprises / Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, taking into account the legal and statutory requirements applicable to financial statements on insurance companies in Belgium.

In accordance with these standards, we have taken into account the administrative and accounting organization of your association as well as the procedures of internal control. The responsible officers of the association have clearly replied to all our requests for information and explanations. We have examined, on a test basis, the evidence supporting the amounts included in the financial statements. We have assessed the accounting policies used, the significant estimates made by the association and the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, taking into account the applicable legal and regulatory requirements, the financial statements give a fair and true view of the association's assets, liabilities and financial position as of December 31, 2003, and the results of its operations for the year then ended, and the information given in the notes to the financial statements is adequate.

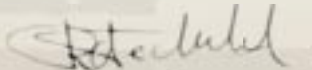
## Additional statements

We supplement our report with the following certifications which do not modify our audit opinion on the financial statements :

- Regardless of formal aspects of minor importance, the books and records of the association are maintained and the financial statements are established in conformity with the applicable Belgian law and regulations on insurance companies;
- Our examinations did not make us aware of any transactions or decisions which would represent a violation of the association's bylaws ;
- The proposed distribution of the results for the year ended December 31, 2003 is in conformity with the association's bylaws and applicable law.

The Statutory Auditor,

Deloitte & Partners  
Reviseurs d'Entreprises



Rik Neckebroeck  
February 16, 2004

## Balance sheet as of December 31, 2003 & 2002 ( Currency – Euro )

A s s e t s	31/12/2003	31/12/2002
<b>C. Investments</b>		
III. Other financial investments		
1. Shares and other non-fixed income securities		
-Shares	0	2.224.829
2. Bonds and other fixed income securities	49.967.659	52.504.613
3. Parts in investment funds	10.222.790	3.204.367
6. Term deposits with financial institutions	6.054.262	9.896.387
7. Others .	30.245	57.595
	<b>66.274.956</b>	<b>67.887.792</b>
<hr/>		
<b>D.bis Part of reinsurers in the technical reserves</b>		
I. Reserve for non-earned premiums and current risks	882.107	760.069
III. Reserve for claims receivable	142.330	362.526
	<b>1.024.437</b>	<b>1.122.594</b>
<hr/>		
<b>E. Receivables</b>		
I. Receivables resulting from direct insurance		
1. Insureds	421.693	34.806
2. Intermediaries	394.629	330.966
II. Receivables resulting from reinsurance	2.478.673	173.132
III. Other receivables	390.915	246.714
	<b>3.685.910</b>	<b>785.618</b>
<hr/>		
<b>F. Other assets</b>		
I. Tangible assets	72.244	76.481
II. Liquidities	5.984.002	8.192.378
	<b>6.056.246</b>	<b>8.268.859</b>
<hr/>		
<b>G. Transitory accounts</b>		
I. Interests and rent	809.621	788.259
	<b>77.851.170</b>	<b>78.853.122</b>

The accompanying notes are an integral part of these balance sheets

## Balance sheet as at December 31, 2003 & 2002 ( Currency – Euro )

Liabilities	31/12/2003	31/12/2002
<b>A. Equity</b>		
I. Subscribed capital or equivalent fund, net of uncalled capital		
1. Guarantee fund	55.568.991	56.282.874
V. Retained earnings		
1. Surplus/(deficit) of the period	0	-723.883
	<b>55.568.991</b>	<b>55.558.991</b>
<hr/>		
<b>C. Technical reserves</b>		
I. Reserve for unearned premiums and for unexpired risks	1.704.767	1.526.679
III. Reserve for claims payable	359.071	1.565.791
V. Reserve for equalisation and catastrophies	16.922.875	11.516.334
	<b>18.986.713</b>	<b>14.608.804</b>
<hr/>		
<b>G. Payables</b>		
I. Payables resulting from direct reinsurance business	316.571	4.859.237
II. Payables resulting from reinsurance business	49.052	2.878.633
V. Other payables		
1. Fiscal and social payables		
a) Taxes	264.130	337.122
b) Social Payables	105.697	97.846
2. Other	2.267.594	174.368
	<b>3.003.044</b>	<b>8.347.206</b>
<hr/>		
H. Transitory accounts	292.422	338.121
	<b>77.851.170</b>	<b>78.853.122</b>
<hr/>		

The accompanying notes are an integral part of these balance sheets

## Income statement for the years ended December 31, 2003 & 2002 ( Currency – Euro )

Income statement	2003	2002
1. Earned premiums net of reinsurance		
a) Gross premiums		
- Premiums written	36.787.619	35.212.675
- Rebate to members	-6.360.918	-6.510.184
	30.426.701	28.702.491
b) Reinsurance premiums	-17.020.527	-16.958.409
c) Variation of the reserve for unearned premiums and unexpired risks, gross of reinsurance (increase -, decrease +)	-178.088	-479.063
d) Variation of the reserve for unearned premiums and unexpired risks, reinsurers part (increase +, decrease-)	122.038	318.808
	13.350.124	11.583.827
2. bis Investment income		
b) Income from other investments.	2.126.857	2.383.892
c) Write-back of adjustments on investments	133.518	327.033
d) Realised capital gains	3.260.481	3.759.039
	5.520.856	6.469.964
3. Other technical income net of reinsurance	6.725	6.719
4. Cost of claims, net of reinsurance (-)		
a) Net amount paid		
aa) gross amount	-8.744.941	-34.944.784
bb) part of reinsurers	1.633.653	6.447.416
	-7.111.288	-28.497.368
b) Variation of the claims services reserve, net of reinsurance (increase -, decrease +)		
aa) variation of the reserve for claims gross of reinsurance (increase -, decrease +)	1.206.720	3.903.499
bb) variation of the reserve for claims part of reinsurance (increase +, decrease -)	-220.196	-649.257
	986.524	3.254.242
	-6.124.764	-25.243.126

The accompanying notes are an integral part of these income statement



Income statement for the years ended December 31,2003 & 2002  
 ( Currency – Euro )

Income statement	2003	2002
7. Net operating expenses (-)		
a) Acquisition expenses	-316.918	-311.856
b) Administrative expenses	-1.508.626	-1.415.552
	<u>-1.825.544</u>	<u>-1.727.408</u>
7.bis Expenses relating to investments (-)		
a) Investment management expenses	-405.453	-503.213
b) Adjustments to investment values	-372.039	-3.166.945
c) Realised less values	-2.569.941	-3.523.689
	<u>-3.347.433</u>	<u>-7.193.847</u>
9. Variation in the reserve for equalisation and catastrophies, net of reinsurance	-5.406.541	15.379.988
18. Retained earnings of the period before allocation	2.173.423	-723.883

The accompanying notes are an integral part of these income statement

## Notes to the financial statements as of December 31, 2003 & 2002 ( Currency – Euro )

### **1. Activity of the association and summary of the main accounting principles**

The purpose of the Mutual Association is to indemnify those of its insured members that have suffered property and/or business interruption damage to their nuclear installations and/or contents thereof. In certain cases, the Association also insures non-nuclear risks.

At December 31, 2003, the total insurance capacity of EMANI per installation was 700.000.000 of which :

-94.70 % of 613.250.000 was reinsured by way of “excess of loss” contracts.

-18,45% of 86.750.000 was reinsured by way of “quota shares” contract.

The risk for EMANI is thus limited to 103.244.625 per installation as of December 31, 2003.

EMANI also subscribes Nuclear Liability insurance. 100% is reinsured by way of “quota shares” contracts. EMANI received fronting fees for contracts subscribed.

The accounting principles of EMANI can be summarized as follows:

a) Overview of the amortization rates applied

Other assets - tangible fixed assets:

- Installations, electronic equipment and office tools: 33,33%per year
- Furniture: 10% per year
- Vehicles: 20% per year

b) Technical provisions

The association constitutes technical provisions based on contributions received not earned, claims payable and the reserve for equalisation and catastrophies in accordance with articles 10 and 11 of the Royal Decree of February 22, 1991 relating to regulations applicable to insurance companies.

c) Fixed income securities

The fixed interest securities (straight and convertible bonds) are valued at their acquisition cost. The incidental costs are expensed as incurred.

The differences, if material, between acquisition cost and redemption value of the securities are amortized pro rata to maturity of the securities.

At December 31, the investments denominated in foreign currencies are converted in euro using the year-end exchange rate. The exchange gains are deferred whereas the exchange losses are recorded in the income statement.

d) Shares and other non-fixed income securities

As of December 31, the investments denominated in foreign currencies are converted into euro using the year-end exchange rate. The exchange gains are deferred whereas the exchange losses are recorded in the income statement.

Shares and other non-fixed interest securities are valued at acquisition cost. The incidental costs are expensed as incurred. Unrealised losses are recorded if the Board of Directors evaluates that there is a permanent less value on those securities. Such less values are recorded in the income statement.

e) Foreign exchange rate contracts

Foreign exchange rate contracts are converted in euro using the exchange rate as of the balance sheet date. The exchange gains are deferred whereas the exchange losses are recorded in the income statement.

f) Accounts payable and receivable in foreign currency

The foreign currency denominated accounts are converted in euro using the exchange rate as of the balance sheet date.

The foreign currency denominated accounts of the income statement are converted into euro on a monthly basis using the exchange rate in force at the end of the previous month.

Except for the unrealized exchange gains on the shares and other non-fixed interest securities, the bonds and other fixed interest securities, and the foreign exchange rate contracts, as mentioned in point c) ,d) and e), the unrealized exchange gains and losses are recorded in the income statement under the caption "Investment income" and "Expenses relating to investments".

## 2. Guarantee fund

The Board of Directors proposes to the Annual General Meeting to transfer the surplus of the year 2003, 2.173.423 to the Guarantee Fund.

The evolution of the Guarantee Fund over 2003, is as follows:

Guarantee Fund at December 31, 2002 :	55.558.991
Transfer of the surplus of the year:	2.173.423
Additional Dotations from Members:	10.000
Distribution to Members :	-2.173.423
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Guarantee Fund at 31 Dec. 2003 :	55.568.991

## 3. Representative assets

The assets that represent the technical provisions have to be invested in accordance with the rules set out in Art. 10 of the Royal Decree of February 22, 1991.

As at December 31, 2003 and 2002, the Mutual had invested its assets as follows:

	December 31, 2003	December 31, 2002
International organism bonds	0	0
Foreign States Securities	18.557.903	16.527.752
Foreign Companies Bonds	0	0
Investment funds	214.467	0
Cash (cash and term deposits)	433.623	5.717.756
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	19.205.993	22.245.508

#### **4. Reserve for equalisation and catastrophies**

In application to Article 11, §1, 3° of the Royal Decree dated February 22, 1991 (revised in 1994) on the general rules on the control of insurance companies, the association started in 1996 to build a reserve for equalisation and catastrophies. The purpose thereof is to create a reserve that would iron out variations in claims or would cover exceptional risks. The amount of the 1996 donation was determined using the formula which became mandatory as of accounting year 1997. Based on the current regulation, the associations' equalisation and catastrophies reserve should reach 103.244.625. The yearly movement however depends on the income or loss of the association before (net) investment income . An income results in an addition to the reserve for the amount of the income, and a loss results in a usage of the reserve for the amount of the loss. The application of this rule resulted in an addition of 5.406.541 for the year 2003 and a usage of 15.379.988 for the year 2002.

#### **5. Management**

The investment management of the Association have been outsourced.

The investment management fee is recorded under caption "Expenses relating to investments " and amounts to 115.993 for the year 2003 and 139.487 for the year 2002.

The broker reinsurance handling fee amounts to 184.200 for the year 2003 and 191.582 for 2002.

Reinsurance commissions refunded to EMANI are 38.479 for 2003 and 38.134 for the year 2002 and are deducted from the reinsurance premium charges.



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