



EULER INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

AS IN ADEQUATE
FOR THE YEAR ENDED
EULER INTERNATIONAL
ACT 1982

1 Canada Square
London E14 5DX

Company Number 3436228

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EULER INTERNATIONAL LIMITED

Year Ended 31 December 1999

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EULER INTERNATIONAL LIMITED

DIRECTORS AND OFFICERS

Year Ended 31 December 1999

DIRECTORS:

F J M Y Aurillac
R C Snedden
G M G Barthelemy
J F Bellissen
R J Benzies
W M C Boes
L D C Brunner
P Capron
P K M Muûls
C A Naffah
T S Nelson
M G Stephens C.B.

Chairman
Managing Director

1999

SECRETARY:

V G C Steadman

AUDITORS:

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

REGISTERED OFFICE:

1 Canada Square
London E14 5DX

EULER INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Year Ended 31 December 1999

The directors present their report together with the financial statements of the company for the year ended 31 December 1999.

Principal activity

The company carries on the business of credit insurance from the United Kingdom, France and Belgium.

Review of the business and future developments

The company commenced writing business during 1999 and the directors are pleased with the level of business generated. The directors expect that the company will open a branch office in Italy during the year 2000 and may open further branches in Europe.

Results for the year

The results for the year are set out in the non-technical account on page 10. The directors do not recommend the payment of a dividend.

Directors

The following served as directors during the year:

F J M Y Aurillac
G M G Barthelemy
J F Bellissen
R J Benzies
W M C Boes Appointed 16 March 1999
L D C Brunner
P Capron
P K M Muûls
C A Naffah
T S Nelson
M G Stephens C.B.

Messrs F J M Y Aurillac, R J Benzies and Mr L D C Brunner are also directors of the holding company EULER Holdings UK PLC and their interests in its share capital are shown in that company's financial statements. No other directors hold interests in the group.

There were no significant contracts between any director and the company subsisting during or at the end of the year.

Mr R.C. Snedden was appointed managing director of the company on 1 January 2000.

EULER INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (CONT'D)

Year Ended 31 December 1999

Employees

In addition to bi-annual briefing sessions with all employees, regular briefing sessions are held with senior managers who are then held responsible for effective communication with staff in their operational areas to promote a better understanding of the objectives, activities and performance of the company.

It is the company's policy to provide equal opportunities in employment, career development and promotion to all who are eligible on the basis of ability, qualifications and fitness for work, irrespective of race, sex or marital status.

The company gives fair consideration to all applicants for jobs including those who may be handicapped or disabled provided that their disabilities do not affect their ability to perform the job. Every effort is made to ensure that employees who become disabled can continue their employment. The company continues to train and promote disabled employees where this is in the best interests of the company and the individual concerned.

The company has in place a policy setting out its arrangements for health, safety and welfare of employees and other persons which is regularly reviewed.

Policy and practice on payment of creditors

It is company policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice. The company is a signatory to the CBI Code of Practice on Prompt Payment, a copy of which can be obtained from the DTI Publications, Admail 528, London SW1W 8YT.

Suppliers are paid centrally for the UK group by EULER Trade Indemnity plc and the directors believe it would be helpful to give the disclosures on a group basis. Trade creditors days of the group for the year ended 31 December 1999 were 8 days (1998 11 days), calculated in accordance with the Companies Act 1985.

EULER INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (CONT'D)

Year Ended 31 December 1999

Year 2000

The company experienced little disruption or malfunctions since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips.

The lack of disruption from the company's own systems and equipment is attributed to the successful completion of the group year 2000 project.

The full impact on the company's business of the year 2000 related failures of clients and their customers both local and foreign, is still being assessed.

The total cost incurred by the group, including incremental costs and replacement expenditure, to modify our computer hardware and software is £6.2m. Of this £6.0m had been incurred by the end of 1998 and the remaining £0.2m was incurred in 1999. No year 2000 cost was recharged to the company.

In addition to the risk posed by systems failures within the company, or within third parties on which the company relies, there is also a risk of increased claims notifications resulting from the impact of year 2000 failures on our policyholders.

Due to the uncertainties surrounding the year 2000 problem it is not possible to quantify the potential magnitude of claims arising from the year 2000 problem that may be notified in the future. To minimise the potential exposure, the company performed a review of its business to identify existing policy types against which year 2000 related claims may arise and appropriate action has been taken.

EULER INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (CONT'D)

Year Ended 31 December 1999

Introduction of the Euro

The company has completed all the necessary formalities to transact business in the Euro which was successfully launched at the beginning of 1999. Any business opportunities arising from the new currency will, therefore, be open to us notwithstanding the UK's position to remain outside the core eleven countries who were committed at the launch.

Annual General Meetings: Elective Resolution

Pursuant to sections 252, 366A and 386 of the Companies Act 1985, the company passed an elective resolution on 17 February 1999 to dispense with the laying of accounts and reports before the company in general meetings, the holding of annual general meetings and the obligation to appoint auditors annually.

Auditors

A resolution to appoint PricewaterhouseCoopers as the company's auditors, to hold office until such time as the elective resolution referred to below is revoked, was passed at an extraordinary general meeting of the company, held on 15 June 1999.

By order of the Board



V G C Steadman

Secretary

Dated: 22 FEB 2000

EULER INTERNATIONAL LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The directors are required by the Companies Act 1985 and other regulations to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial period and its loss for that period. The financial statements of insurance companies are prepared in accordance with the requirements of section 255 Schedule 9A (as modified by Part II of Schedule 9A) to, the Companies Act 1985.

The directors confirm that suitable accounting policies have been used and applied consistently. The directors confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the company; and that the financial statements 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.

EULER INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 9 to 19 which have been prepared in accordance with the accounting policies set out on pages 13 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with the United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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.

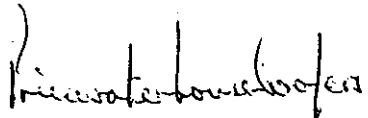
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

EULER INTERNATIONAL LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THE COMPANY (CONT'D)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

Date : 22 February 2000

EULER INTERNATIONAL LIMITED

TECHNICAL ACCOUNT – GENERAL BUSINESS

Year Ended 31 December 1999

	Notes	1999 £'000	Period From 15.09.97 To 31.12.98 £'000
Gross premiums written		4,767	0
Outwards reinsurance premiums		(4,042)	(40)
Net premiums written		725	(40)
Change in gross provision for unearned premiums		(1,572)	0
Change in provision for unearned premiums, reinsurers' share		1,284	0
Change in net provision for unearned premiums		(288)	0
Earned premiums, net of reinsurance		437	0
Other technical income – information charges		347	0
		784	0
Gross claims paid		(5)	0
Reinsurers' share		0	0
Net claims paid		(5)	0
Change in gross provision for claims		(1,753)	0
Reinsurers' share		1,434	0
Change in net provision for claims		(319)	0
Claims incurred, net of reinsurance		(324)	0
Net operating expenses	2	(2,724)	(1,930)
Balance on the technical account for general business		(2,264)	(1,970)

EULER INTERNATIONAL LIMITED

NON-TECHNICAL ACCOUNT

Year Ended 31 December 1999

	Notes	1999	Period From 15.09.97 To 31.12.98
		£'000	£'000
Balance on the technical account for general business		(2,264)	(1,970)
Investment income		1,152	452
Realised losses on investments		(145)	0
Unrealised gains on investments		0	421
Unrealised losses on investments		(295)	(28)
Investment expenses and charges		(22)	(12)
		690	833
Loss on ordinary activities before taxation		(1,574)	(1,137)
Tax credit on loss on ordinary activities	4	476	0
Retained loss for the year		(1,098)	(1,137)
Retained loss brought forward	7	(1,137)	0
Retained loss carried forward		(2,235)	(1,137)

The results above are all derived from continuing operations.

There are no other recognised gains and losses other than the retained loss stated above.

EULER INTERNATIONAL LIMITED

BALANCE SHEET

As At 31 December 1999

	Notes	1999 £'000	1998 £'000
ASSETS			
Investments			
Other financial investments	3	15,572	16,659
		15,572	16,659
Reinsurers' share of technical provisions			
Claims outstanding		1,434	0
Provision for unearned premiums		1,284	0
		2,718	0
Debtors			
Arising out of direct insurance operations		3,208	0
Other debtors including taxation and social security		476	0
		3,684	0
Other assets			
Tangible assets	5	1,276	854
Cash at bank and in hand		2,426	60
		3,702	914
Prepayments and accrued income			
Deferred acquisition costs		213	215
		213	215
TOTAL ASSETS		25,889	17,788

EULER INTERNATIONAL LIMITED

BALANCE SHEET (Cont'd)

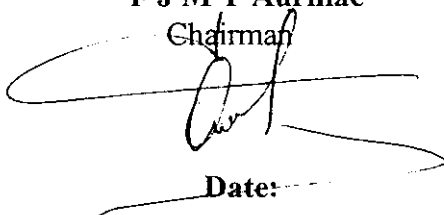
As At 31 December 1999

LIABILITIES	Notes	1999 £'000	1998 £'000
Capital and reserves			
Called up share capital	6	18,000	18,000
Profit and loss account	7	(2,235)	(1,137)
Shareholders' funds attributable to equity interests	8	15,765	16,863
Technical provisions			
Claims outstanding		1,753	0
Provision for unearned premiums		1,572	0
		3,325	0
Creditors			
Arising out of direct insurance operations		793	81
Arising out of reinsurance operations		1,452	0
Amounts due to group undertakings		3,912	844
		6,157	925
Accruals and deferred income			
Unearned reinsurance commission		642	0
		642	0
TOTAL LIABILITIES		25,889	17,788

Approved on behalf of the Board of Directors.

F J M Y Aurillac

Chairman



Date:

22 FEB 2000

R C Snedden

Director



Date:

22 FEB 2000

EULER INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Year Ended 31 December 1999

Basis of preparation

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 have been applied in these financial statements.

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and in accordance with the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers dated December 1998. The financial statements have been prepared in compliance with section 255 of, and Schedule 9A (as modified by Part II of Schedule 9A) to, the Companies Act 1985.

Basis of accounting

The company accounts for its credit insurance business on an annual basis.

Premiums written relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet notified to the group. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance business.

Unearned premiums represent the proportion of premiums written in the year that related to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. In the opinion of the directors the resulting provision is not materially different from one based on the pattern of incidence of risk.

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous periods and deductions made for salvage.

The provision for outstanding claims has been arrived at based on information currently available and experience of similar business written by other EULER group companies. There is nevertheless a degree of uncertainty surrounding the level of this provision due to the lack of historical experience for the company's business.

Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned.

EULER INTERNATIONAL LIMITED

ACCOUNTING POLICIES (CONT'D)

Year Ended 31 December 1999

Unexpired risk provision

An unexpired risk provision is provided only to the extent of any deficiencies arising when unearned premiums, net of associated acquisition costs and future investment return of the investments supporting the unearned premium and unexpired risk provisions, are insufficient to meet expected claims and expenses having regard to events that have occurred up to the balance sheet date.

Translation of currency

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. Transactions are translated at the actual rate on the date of the transactions. All differences on exchange are dealt with through the non-technical account.

Tangible assets

Expenditure incurred in the provision of office equipment and tenants improvements are written off on a straight line basis over their estimated useful lives, principally four years. Expenditure incurred for computer equipment and IT development is written off on a straight line basis over three years.

Investments

Listed investments are shown at market value.

Investment income is accounted for on a receivable basis. Dividends are recognised on the date on which the related investments are marked ex-dividend. Interest income is accrued up to the balance sheet date.

Realised gains or losses represent the difference between net sale proceeds and purchase price.

Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their valuation at the last balance sheet date or their purchase price if purchased during the year.

Pension benefits

The cost of providing pension benefits is charged to the profit and loss account on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees.

EULER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 1999

	<u>1999</u>	<u>Period</u>
		<u>From 15.09.97</u>
		<u>To 31.12.98</u>
	<u>£'000</u>	<u>£'000</u>

1. Loss before taxation

Loss before taxation is stated after charging:

Depreciation	<u>546</u>	<u>407</u>
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	<u>1999</u>	<u>Period</u>
		<u>From 15.09.97</u>
		<u>To 31.12.98</u>
	<u>£'000</u>	<u>£'000</u>

2. Net operating expenses

Net operating expenses comprise:

Acquisition costs	1117	646
Change in deferred acquisition costs	3	(215)
Administrative expenses	2,908	1,499
Reinsurance commission	(1,304)	0
	<u>2,724</u>	<u>1,930</u>

3. Other financial investments

	<u>Market Value</u>		<u>Cost</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
British government securities (listed)	8,808	4,806	9,106	4,701
Debts securities and other fixed income securities	1,601	-	1,687	-
Deposit with credit institutions	5,089	11,853	5,000	11,565
Cash deposits	74	-	74	-
	<u>15,572</u>	<u>16,659</u>	<u>15,867</u>	<u>16,266</u>

All listed investments are traded on recognised exchanges.

EULER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 1999

4. Taxation

	1999 £'000	1998 £'000
Tax credit at 30.25%	<u>476</u>	<u>0</u>

The company has surrendered the current year benefit of tax losses to another group company for a consideration of £476,000.

5. Tangible assets

Tangible assets comprise	IT Dev £'000	Comp Equip £'000	Other Equip £'000	Tenants Improvements £'000	Total £'000
Cost at 01.01.99	1,093	57	69	42	1,261
Additions	1,144	17	28	10	1,199
Disposals	(231)	0	0	0	(231)
Cost at 31.12.99	<u>2,006</u>	<u>74</u>	<u>97</u>	<u>52</u>	<u>2,229</u>
Depreciation at 01.01.99	361	19	17	10	407
Disposals	(16)	0	0	0	(16)
Charge for Year	509	20	20	13	562
Depreciation at 31.12.99	<u>854</u>	<u>39</u>	<u>37</u>	<u>23</u>	<u>953</u>
Net Book Value at 31.12.99	<u>1,152</u>	<u>35</u>	<u>60</u>	<u>29</u>	<u>1,276</u>
Net Book Value at 31.12.98	<u>732</u>	<u>38</u>	<u>52</u>	<u>32</u>	<u>854</u>

6. Share capital

	1999 £'000	1998 £'000
Authorised:		
18,000,000 ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>
Allotted, called up and fully paid:		
18,000,000 ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>

EULER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 1999

7. Profit and loss reserves

	<u>1999</u> £'000	<u>1998</u> £'000
At 01.01.99	(1,137)	0
Retained loss for the year	(1,098)	(1,137)
At 31.12.99	<u>(2,235)</u>	<u>(1,137)</u>

8. Reconciliation of movements in Shareholders' funds

	<u>1999</u> £'000	<u>1998</u> £'000
Loss for the financial year	(1,098)	(1,137)
Opening shareholders' funds	16,863	0
Issue of shares during period	0	18,000
Closing shareholders' funds	<u>15,765</u>	<u>16,863</u>

9. Directors' remuneration

	<u>1999</u> £'000	<u>1998</u> £'000
Directors' emoluments		
Emoluments	147	133
Pension contributions	0	0
	<u>147</u>	<u>133</u>

There were no directors to whom retirement benefits were accruing at 31 December 1999. (1998:nil).

EULER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 1999

10. Staff numbers and costs

The monthly average number of employees employed directly by the company during 1999 was 3 (1998 : 3). In addition, a monthly average of 15 (1998 : 5) staff employed by other companies of the EULER Group were made available to the company as full time permanent staff. The company bears a management charge for the services of these employees, which is included in the financial statements as a staff cost.

	<u>1999</u>	<u>1998</u>
<u>Staff Costs</u>	<u>£'000</u>	<u>£'000</u>
Wages and salaries	577	341
Social security costs	63	39
Other pension costs	75	29
	<u>715</u>	<u>409</u>

11. Auditors' remuneration

Auditors' remuneration in respect of audit services amounting to £11,750 (1998 : £5,875) has been charged to expenses during the year. Auditors' remuneration for non audit services was £20,856 (1998 : £ nil).

12. Pension costs

The employees of the company and staff whose services are made available to the company are members of the EULER Trade Indemnity Pension Scheme or other pension schemes provided by their direct employer. The EULER Trade Indemnity Pension Scheme is a defined benefits scheme, details of which are disclosed in the report and accounts of the holding company.

EULER INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 1999

12. Pension costs (Cont'd)

The latest actuarial valuation of the UK Scheme was 1 July 1996. The most significant assumptions were that investment return would be 8.5% p.a. and that salary increases would be 7.0% p.a. and that the rate of discretionary increase on present and future pensions would be 4.0% p.a.

In his valuation at 1 July 1996, the Actuary stated that the actuarial value of the assets of the scheme would be £34,540,000 covering 94% of the benefits accrued to members after allowing for future increases in earnings. The ongoing contribution rate for the scheme will, in the opinion of the Actuary, be sufficient to eliminate the deficit over the average remaining working lifetimes for the existing membership. The market value of the assets of the scheme were £35,601,000 at 1 July 1996.

A valuation has been carried out as at 1 July 1999 which has yet to be agreed by the Scheme trustees and the Company. However, it is not anticipated that this will require any adjustment to the contributions payable by the Company for 1999.

13. Cashflow statement

The company is a wholly owned subsidiary of EULER Holdings UK PLC and the cash flows statement of the company are included in the consolidated financial statements of EULER Holdings UK PLC. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (revised) from publishing a cash flow statement.

14. Transactions with related parties

The company is a wholly owned subsidiary and has taken advantage of the exemptions under Financial Reporting Standard No. 8 from disclosing related party transactions with group entities.

15. The holding company

The immediate holding company is EULER Holding UK PLC, which is incorporated in Great Britain and registered in England and Wales, copies of whose consolidated financial statements can be obtained from 1 Canada Square, London, E14 5DX.

The ultimate holding company is Allianz A.G., which is incorporated and registered in Germany, copies of whose consolidated financial statements can be obtained from Koniginstrasse 28, 80802 München, Germany.