

EULER Trade Indemnity Risk Services Limited
(Formerly Trade Indemnity Risk Services Limited)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



**1 Canada Square
London E14 5DX**

Company Number 2949249

EULER Trade Indemnity Risk Services Limited

Year Ended 31 December 1998

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EULER Trade Indemnity Risk Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

J H M B Pezé
T Williams
M S B Wyatt
N W Cuff
M R Feldwick
P P Flanagan
C J Wark

Chairman
Managing Director

SECRETARY

D Johnston

AUDITORS

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6NN

REGISTERED OFFICE

1 Canada Square
London E14 5DX

EULER Trade Indemnity Risk Services Limited

REPORT OF THE DIRECTORS Year Ended 31 December 1998

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 1998.

Principal Activity

The principal activities of the Company are to provide financial information and to produce credit analysis and financial reports.

Results for the Year

The results for the year are set out in the Profit and Loss account on page 9. The Directors recommend payment of a dividend of £1,000,000 (1997: £700,000).

Review of the Business and Future Developments

The Directors are pleased with the level of business and profit during 1998. It is believed that the Company is in a position to take advantage of opportunities presented in a changing credit industry. The Directors look forward to the future with confidence.

Fixed Assets

The changes in fixed assets are detailed in note 7 of the financial statements.

Charitable Donations

No charitable or political donations were made during the year (1997: Nil).

Change of Name

Trade Indemnity Risk Services Limited changed its name by resolution to EULER Trade Indemnity Risk Services Limited on 9 March 1998.

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.

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 1998 were 11 days (1997: 15 days), calculated in accordance with the Companies Act 1985.

EULER Trade Indemnity Risk Services Limited

REPORT OF THE DIRECTORS (Cont'd) **Year Ended 31 December 1998**

Year 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The operation of our business depends not only on our computer systems, but also to some degree on those of certain other parties. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

In 1997, the Group established a Year 2000 compliance project committee with a membership from across the business under the chairmanship of the Chief Executive Officer designed to address the impact of the year 2000 on the Group's businesses. The Board of Directors is regularly updated on progress by the project committee, which is controlling the exercise.

As part of the exercise, an analysis of significant risks has been performed to determine the impact of the issue on our activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is being given to those systems that could cause a significant financial or legal impact on the Group's business if they were to fail. The plan also includes a requirement for the testing of all business critical systems.

The risk analysis also considers the impact on our business of the year 2000 related failures by other parties.

The total Group cost, including incremental costs and replacement expenditure, to modify our computer hardware and software is estimated at £6.2m. Of this £6.0m had been incurred by the end of 1998 and the remaining £0.2m will be incurred in 1999.

Introduction of the Euro

The Group 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.

EULER Trade Indemnity Risk Services Limited

REPORT OF THE DIRECTORS (Cont'd) Year Ended 31 December 1998

Directors

The Directors who served during the year were as follows:

J H M B Pezé	Appointed 1 st June 1998
N W Cuff	Appointed 1 st June 1998
M R Feldwick	Appointed 1 st June 1998
P P Flanagan	Appointed 1 st June 1998
C J Wark	Appointed 1 st June 1998
T Williams	Appointed 22 nd April 1998
M S B Wyatt	
J T Adams	Resigned 1 st June 1998
R J Benzies	Resigned 1 st June 1998
P J W Hamilton	Resigned 1 st June 1998
G J Kent	Resigned 30 th September 1998
S Oram	Resigned 1 st June 1998

The following interests in the share capital of the holding company are declared by directors in service at 31.12.98:

Share Options

Director	Number of Options		Exercise Price	Date when Exercisable	Expiry Date
	01.01.98	31.12.98			
	Or date of Appointment				
T Williams	0	18,831	£0.76	06.11.01	05.11.05
MSB Wyatt	63,438	63,438	£0.64	13.10.00	12.10.04
	0	47,471	£0.76	06.11.01	05.11.05
NW Cuff	42,969	42,969	£0.64	13.10.00	12.10.04
	0	38,251	£0.76	06.11.01	05.11.05
MR Feldwick	42,188	42,188	£0.64	13.10.00	12.10.04
	0	44,332	£0.76	06.11.01	05.11.05
P P Flanagan	62,344	62,344	£0.64	13.10.00	12.10.04
	0	65,910	£0.76	06.11.01	05.11.05
C J Wark	49,453	49,453	£0.64	13.10.00	12.10.04

No options lapsed or were exercised during the year.

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

EULER Trade Indemnity Risk Services Limited

REPORT OF THE DIRECTORS (Cont'd) **Year Ended 31 December 1998**

Annual General Meetings

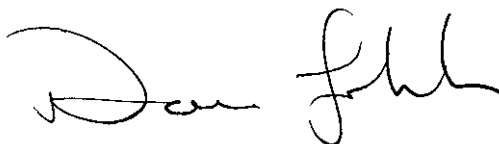
Pursuant to Sections 366A and 252 of the Companies Act 1985 on 29 June 1995, the Company passed an elective resolution to dispense with the holding of Annual General Meetings and the laying of financial statements and reports thereat.

Auditors

As a result of the merger of Coopers & Lybrand and Price Waterhouse and the subsequent change of their name to PricewaterhouseCoopers, Coopers & Lybrand resigned as auditors on 23 July 1998. PricewaterhouseCoopers were appointed as auditors on the same date by the Directors.

Pursuant to Section 386 of the Companies Act 1985 on 29 June 1995 the Company passed an elective resolution to dispense with the obligation to appoint its auditors annually.

By Order of the Board



D Johnston
Secretary

13/05/99

EULER Trade Indemnity Risk Services 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 each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year, and its profit for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently. The Directors also confirm that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998. 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 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 Trade Indemnity Risk Services Limited

REPORT OF THE AUDITORS TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 9 to 16 which have been prepared in accordance with accounting policies set out on page 11.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report including as described on page 6 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by 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 Companies Act. We also report to you if, in our opinion, the director's 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 director's remuneration and transactions is not disclosed.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Basis of 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 Trade Indemnity Risk Services 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 1998 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
London

21 JUN 1999

EULER Trade Indemnity Risk Services Limited

PROFIT AND LOSS ACCOUNT For the Year Ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER	2	6,507,093	6,664,448
Administrative expenses		<u>(5,146,795)</u>	<u>(5,810,158)</u>
OPERATING PROFIT	3	1,360,298	854,290
Interest receivable		<u>309,116</u>	<u>250,966</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,669,414	1,105,256
Tax on profit on ordinary activities	6	<u>(512,343)</u>	<u>(342,629)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,157,071	762,627
Dividend		<u>(1,000,000)</u>	<u>(700,000)</u>
RETAINED PROFIT FOR THE PERIOD		157,071	62,627
Profit and loss account brought forward		<u>517,453</u>	<u>454,826</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u><u>674,524</u></u>	<u><u>517,453</u></u>

The Company has no recognised gains and losses other than the profit above and therefore no separate Statement of Total Recognised Gains and Losses has been presented.

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historic cost equivalent.

All activities of the Company are regarded as continuing.

EULER Trade Indemnity Risk Services Limited

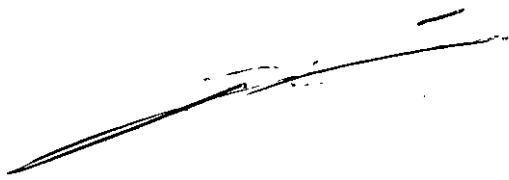
BALANCE SHEET

As at 31 December 1998

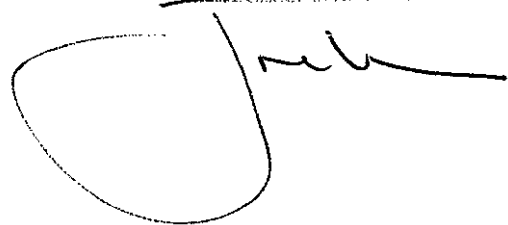
	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	30,172	9,030
CURRENT ASSETS			
Amounts due from Group companies		5,261,544	2,619,641
Debtors	8	552,146	778,461
Cash at bank and in hand		84,974	805,140
		<u>5,898,664</u>	<u>4,203,242</u>
CREDITORS: Amounts falling due within one year			
Amounts owed to Group companies		3,964,964	2,964,831
Other creditors	9	1,289,346	729,986
		<u>5,254,310</u>	<u>3,694,817</u>
Net current assets		<u>644,354</u>	<u>508,425</u>
NET ASSETS		<u><u>674,526</u></u>	<u><u>517,455</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Profit and loss account		<u>674,524</u>	<u>517,453</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u><u>674,526</u></u>	<u><u>517,455</u></u>

Approved by the Board of Directors.

J Pezé
Director



T Williams
Director



13/05/99

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 1998

1. Principal Accounting Policies

a. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

b. Turnover

Turnover represents the value, excluding VAT, of services completed and invoiced in the year.

c. Depreciation

Depreciation is provided in order to write down the cost of fixed assets by equal instalments over their useful lives which are considered to be four years.

d. Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Realised and unrealised exchange gains and losses from ordinary operations are charged or credited to the profit and loss account.

e. Deferred taxation

Deferred taxation is provided in respect of all timing differences in the recognition of income and expenditure for accounting and taxation purposes where a liability is expected to crystallise.

f. Pension costs

The cost of providing retirement pensions is included in the Profit and Loss Account so as to spread the cost over the average working lives of the employees within the scheme. Variations from the regular cost are spread over the expected remaining service lives of the employees within the scheme.

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) For the Year Ended 31 December 1998

2. Turnover

Turnover by geographical area:	1998 £	1997 £
United Kingdom	5,066,467	5,560,390
Rest of Europe	982,612	854,693
Rest of the World	458,014	249,365
	<u>6,507,093</u>	<u>6,664,448</u>

3. Operating Profit

The operating profit is stated after charging:	1998 £	1997 £
Staff costs (note 4)	1,337,884	1,069,780
Auditors' remuneration	4,000	4,000
(Write back)/Provision for bad debts	(11,810)	1,124
Foreign exchange (gain)/loss	(6,897)	20
Depreciation	<u>17,698</u>	<u>74,074</u>

Auditors remuneration:	1998 £	1997 £
Audit fees	3,000	3,000
Other services	<u>1,000</u>	<u>1,000</u>
	<u>4,000</u>	<u>4,000</u>

4. Employees

The average monthly number of persons employed on behalf of the Company in 1998 was 36 (1997: 31) all of whom were involved in the provision of credit analysis and financial reporting services.

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) For the Year Ended 31 December 1998

4. Employees (Cont'd)

The aggregate staff costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	1,091,931	885,888
Social security costs	99,071	72,756
Other pension costs	146,882	111,136
	<u>1,337,884</u>	<u>1,069,780</u>

The employees of the Company are members of the EULER Trade Indemnity Pension Scheme. The scheme is a defined benefit scheme, details of which are disclosed in the financial statements of EULER Holdings UK PLC.

5. Directors' Remuneration

There were no Directors' fees charged during the year (1997: NIL)

	1998 £'000	1997 £'000
Directors' emoluments		
Emoluments	137,919	80,327
Pension contributions	21,210	11,189
	<u>159,129</u>	<u>91,516</u>

The highest paid Director's emoluments including pension contributions were £69,818 (1997: £91,516). The accrued pension entitlement of the highest paid Director at 31 December 1998 was £9,078. Six Directors receive remuneration from EULER Trade Indemnity plc as employees of the Company and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of the emoluments in respect of the Company.

6. Tax on Profit on Ordinary Activities

	1998 £	1997 £
The taxation charge in the profit and loss account comprises:		
UK Corporation Tax at 31% (1997: 31.5%)	<u>512,343</u>	<u>342,629</u>

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) For the Year Ended 31 December 1998

7. Tangible Fixed Assets

	Equipment £	Fixtures & Fittings £	Motor Vehicle £	Total £
COST				
At 1 January 1998	384,982	2,768	-	387,750
Additions	19,819	-	19,021	38,840
Removal of fully depreciated assets	(95,460)	-	-	(95,460)
At 31 December 1998	<u>309,341</u>	<u>2,768</u>	<u>19,021</u>	<u>331,130</u>
DEPRECIATION				
At 1 January 1998	375,952	2,768	-	378,720
Charge for the year	12,943	-	4,755	17,698
Removal of fully depreciated assets	(95,460)	-	-	(95,460)
At 31 December 1998	<u>293,435</u>	<u>2,768</u>	<u>4,755</u>	<u>300,958</u>
NET BOOK VALUE				
At 31 December 1998	<u>15,906</u>	<u>-</u>	<u>14,266</u>	<u>30,172</u>
NET BOOK VALUE				
At 31 December 1997	<u>9,030</u>	<u>-</u>	<u>-</u>	<u>9,030</u>

Assets held under finance leases of £19,021 (1997:NIL) are included in Motor Vehicles at cost. There was no accumulated depreciation on leased assets (1997:NIL). Depreciation on leased assets of £4,755 (1997:NIL) has been charged to the profit and loss account for the year.

8. Debtors

	1998 £	1997 £
Trade debtors	541,168	778,461
Prepayments and accrued income	<u>10,978</u>	<u>-</u>
	<u>552,146</u>	<u>778,461</u>

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) For the Year Ended 31 December 1998

9. Other Creditors

	1998 £	1997 £
Amounts falling due within one year:		
Income received in advance	5,423	5,423
Taxation	436,958	276,615
Creditors and accruals	846,965	447,948
	<u>1,289,346</u>	<u>729,986</u>

10. Share Capital

	1998 £	1997 £
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid; 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11. Reconciliation of Movements in Shareholders' Funds

	1998 £	1997 £
Opening Shareholders' funds	517,455	454,828
Profit for the financial year	157,071	62,627
Closing Shareholders' funds	<u>674,526</u>	<u>517,455</u>

12. Cash Flow Statements

The Company is a wholly owned subsidiary of EULER Holdings UK PLC and the cash flows of the Company are included in the consolidated accounts 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.

EULER Trade Indemnity Risk Services Limited

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) **For the Year Ended 31 December 1998**

13. Related Party Transactions

The Company is a wholly owned subsidiary and has taken advantage of the exemption under Financial Reporting Standard Number 8 from disclosing related party transactions.

14. Holding Company

The ultimate holding company at 31 December 1998 was 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.

The immediate holding company at 31 December 1998 was EULER Holdings 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.