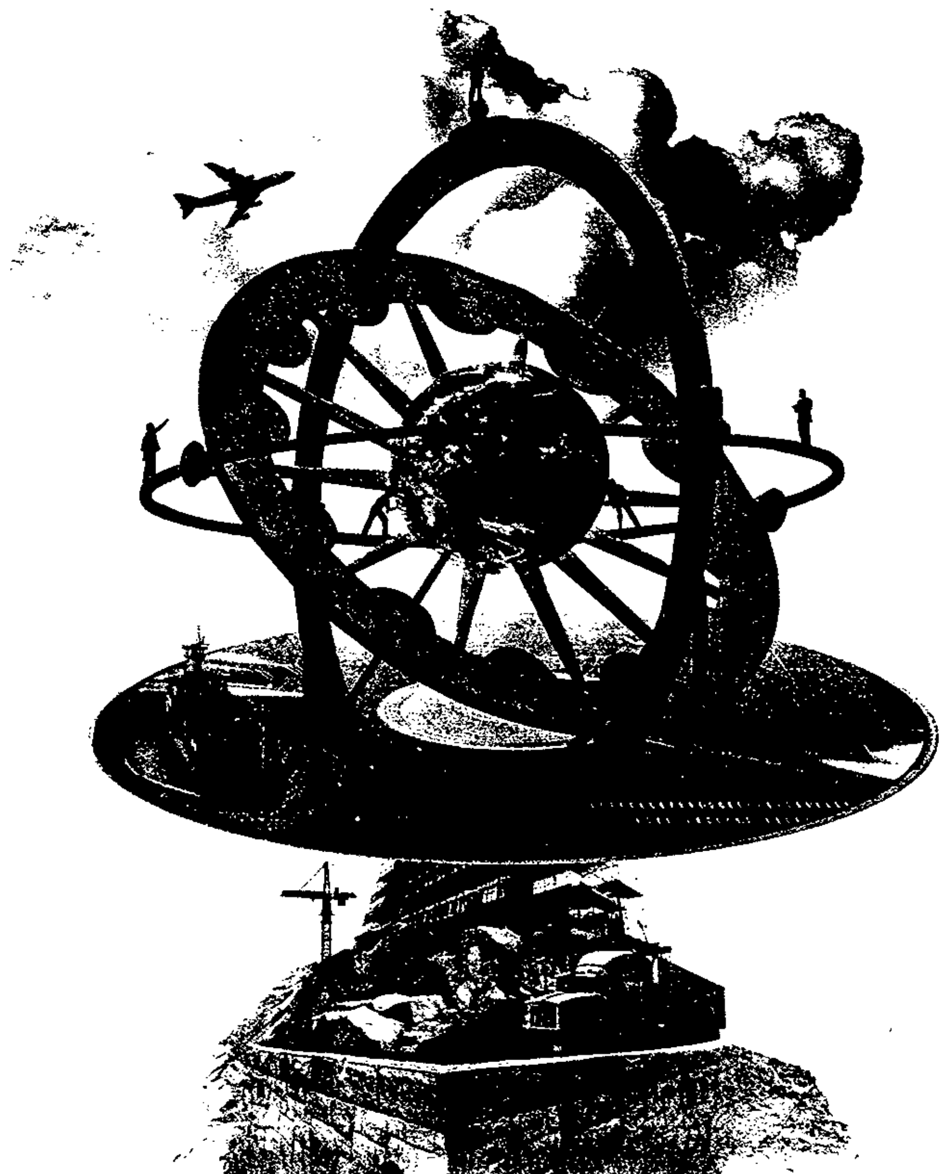
TRADE INDEMNITY



Annual Report
and Accounts 1995

PRUDENT, PROFITABLE GROWTH

The Trade Indemnity Group will continue to be a leading international provider of credit insurance and related credit management services, based on its market leadership in the UK.

The Group will produce appropriate returns for its shareholders and properly reward reinsurers and staff.

As a member of the enlarged C.F. SFAC Group (which shortly will be re-named), it will develop business, markets and alliances, at home and overseas, which support its position as one of the world's leading credit insurers.

In all its dealings, the Group will maintain the highest standards of integrity and professionalism.

Contents

Trade Indemnity Group PLC
Registered in England No. 2337940

STATEMENT

I believe the stated intention of Compagnie Financière SFAC S.A. and Trade Indemnity Group PLC to create a new international credit insurance group presents significant prospects for Trade Indemnity and its clients.

I am pleased to report that Trade Indemnity had an excellent year in 1995. All our businesses achieved better performances and the Group underwriting result showed significant improvement.

While the 1989 to 1991 underwriting accounts led to underwriting losses for the Group, the 1992 account showed a return to underwriting profit for our continuing operations. The just closed 1993 underwriting account has underlined the resumption of our profitable course.

Due to the many changes introduced this year as a result of the new Insurance Regulations, your Board has included a summary on page 22 of the trading position of this year in the format adopted for the 1994 Report and Accounts. This summary shows an increased underwriting result of £17.0m (1994: loss £0.6m), profit before tax of £22.5m (1994: £5.0m) and earnings per share of 9.6p (1994: 2.2p).

The figures prepared in accordance with the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, the 1994 comparative figures having been restated accordingly, show that gross premium income rose by 9.6% to £169.4m (1994: £154.6m restated), gross claims paid were £81.5m (1994: £71.8m), profit before tax was £17.3m (1994: loss £6.2m restated) and earnings per share were 5.0p (1994: loss per share 3.9p, restated).

The transfer to equalisation provision of £7.2m, required for the first time this year, is a legal requirement for credit insurance companies. Furthermore, tax relief for this compulsory transfer is not available for this year, but future transfers will qualify as a deduction for tax. Had the transfer to equalisation provision not been required, the profit before taxation would have been £24.5m and earnings per share 8.9p.

Shareholders' funds

1995 was a much better year for investors in equity and bond markets. As a result, we recovered much of the ground lost during 1994. The rise in investment values, coupled with our good trading performance, produced an increase of 10.1% in shareholders' funds. The Group's solvency margin, defined as shareholders' funds expressed as a percentage of net written premiums was 85.4% at the end of 1995 (1994: 93.6%, restated). Prior to the transfer to equalisation provision, this margin was 95.3%.

On 1st February 1996, I wrote to shareholders explaining why the Board considered it appropriate to accept the offer from Compagnie Financière SFAC.

The open underwriting accounts reflect substantial new business growth, mainly in our export and international operations.

As I write, the offer has become unconditional in terms of shareholder approval, having received acceptances from more than 98% of shareholders. The offer remains subject to clearance from various regulatory bodies.

Board changes

Following completion of the purchase of Trade Indemnity's shares by Compagnie Financière SFAC, several non-executive directors will be stepping down and Mr. Paul-Henri Denieuil and Mr. Jean Lanier will be joining the Board.

Some colleagues who have served the Company well will now leave the Board and we express our thanks to Andrew Reid, Jason Frangoulis, Peter Foster, James Morley, and Theo Obrist.

I would like to add personal thanks to Andrew Reid who has been Deputy Chairman since 1993 and a director since 1982. He has given me much support and has served the Board tirelessly; and to Jason Frangoulis who has been associated with the Company since 1976 and a director since 1990. His wise counsel has been invaluable.

Mr. Vic Jacob, formerly the Group Chief Executive retired on 5th December 1995 and Mr. John Carter retired on 7th August 1995 following his appointment as Chairman of the Association of British Insurers.

Conclusion

John Bishop has had a demanding first year in office. He has devoted himself to the Company energetically and ably: he has been well supported by his senior colleagues and all staff both in the UK and overseas. The Board expresses appreciation for their commitment and the progress they have achieved.

A. L. Brend Chairman

REPORT

I am pleased to report good 1995 results - particularly since all our activities have improved their profitability.

The agreed merger of Trade Indemnity Group's business with that of Compagnie Financière SFAC to form a new international credit insurance group is a major step in the development of the European credit insurance industry. Business, whatever its size, is becoming ever more international in its outlook and, through technology, increasingly has capabilities that are global in reach.

It is for credit insurers to meet the needs of business and provide a service that is both relevant and attractive. Unlike some other classes of insurance there is no obligation for companies to purchase our services. I strongly believe that the formation of the new group - after many years of working co-operation with C.F. SFAC - will add to and support Trade Indemnity's operations, especially in its international growth aspirations and in the development of information technology systems.

The intention of the new group is to enhance and nurture the evident strengths of Trade Indemnity as the market leader in the UK. Trade Indemnity will continue to operate in its own name.

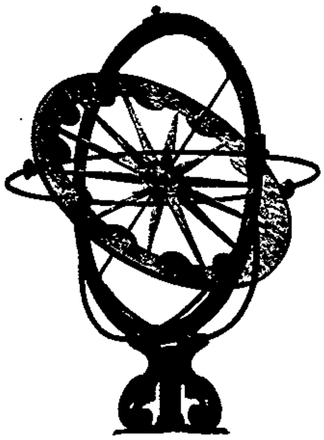
1995 results

As to the year just past, I am pleased to report good results, with all our activities having improved their profitability. The closing of the 1993 underwriting account yielded the fruits of strong risk management and underwriting decisions taken in earlier years.

The open underwriting accounts continue to develop in line with our expectations, and reflect substantial new business growth, mainly in our export and international operations. They also reflect some downward pressure on premium rates following increased competition and a market perception that credit risks are improving as the economy stabilises. However, we continue to be selective as to the trade sectors and companies we underwrite.

The Executive Committee pictured against the background of Trade Indemnity's new headquarters in the Canary Wharf Tower.

Left to right; Russell Benzies, Doug Brunner, John Bishop and Graham Kent



A better balance of underwriting skills and more dynamic work processes has resulted from the creation of business centres.

Revised organisation

At Trade Indemnity, I inherited a group of people with in-depth and often unique skills led by a well-balanced management team. We have since fine-tuned the structure to supplement those skills with modern business processes that will improve budgeting, planning and expense control. Business units are now led by managers who take responsibility for the control, development and profitability of their businesses. The scope of our managers has thus been significantly enhanced by devolving responsibility in this way and better and more dynamic work processes have resulted.

The businesses report to a newly created Executive Committee which has responsibility for the strategy of the Group, controls the overall process and allocates appropriate resources to the businesses.

International risk management

We took a number of steps during 1995 to improve the management of our growing overseas risk exposures. In addition to opening an office in Milan and appointing a company representative in Paris, we strengthened our risk management capability in both North America and Australasia by the recruitment and appointment of senior corporate analysts. As our risk portfolio increases its international spread, we will continue to develop our own credit intelligence as well as drawing on other available sources.

Information database

Trade sector knowledge held by our people and the quality of our information database are at the core of our capabilities. Technology is an essential tool for our database management - and for its communication both to our own staff and to our clients.

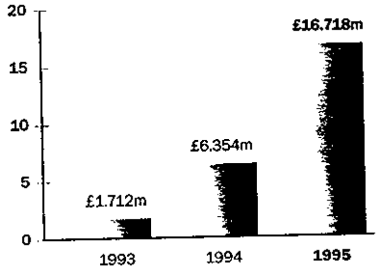
The formation of the new group will enable us to enhance the capability of our people and the information available to them by investing in technology at a faster rate by sharing development costs.

The marketplace

Our core business is short term trade credit insurance. Whilst important in itself, we are also increasingly asked to deliver many related value-added services to support both the sales and credit management functions within our clients' operations. These include, for example, credit and country intelligence information, finance and collections.

As I complete my first 12 months at the Company, I have concluded that the support credit insurance provides to business in general is significantly undervalued. Trade Indemnity's most valuable contribution is its ability to help companies survive - by pre-empting trade payment problems or situations of a more serious nature. We took the

Group continuing operations underwriting result



(Figures before transfer to equalisation provision, 1994 figure restated).

initiative in 1995, on behalf of unsecured creditors, to enter discussions with the managements and bankers of several companies at risk to achieve mutually satisfactory solutions. Results have been encouraging: for our clients; for the vulnerable companies; and for ourselves.

We also need to put into perspective the scale of our support for industry: the total turnover credit-insured by the Group during 1995 was some £76.4 billion, an increase of 16.0% on 1994.

Conclusion

Trade Indemnity's service stands apart from its competitors due to the approachability of its people, the power of the information at their disposal and their authority to take decisions. By sharpening the focus of the business managers, we will be able to concentrate their considerable energy on growing returns from businesses which deliver increasingly high quality services.

In 1996, from new headquarters in London's Canary Wharf, Trade Indemnity Group PLC will seek to build upon 1995's excellent progress, both in terms of its international positioning and of its profitable business growth.

J. H. Bishop

J. H. Bishop Chief Executive

BUSINESSES

Our open year underwriting accounts continue to show good results in line with our expectations. Positive management of risks continues to be the platform for growing our business profitably.

UK domestic underwriting

During 1995, our clients achieved sales volumes of £55.0bn (1994: £50.0bn), reflecting both the increased number of clients in our portfolio and the commitment we provided in support of increased levels of exposure.

This volume growth was offset by premium rate reductions and by the adoption of forms of cover that exchanged lower rates for greater risk participation. Selective underwriting measures in this competitive climate were supported by intensive risk management actions in order to protect our claims ratio. Risk assessment and predictive capability techniques are built upon a foundation of risk analysis.

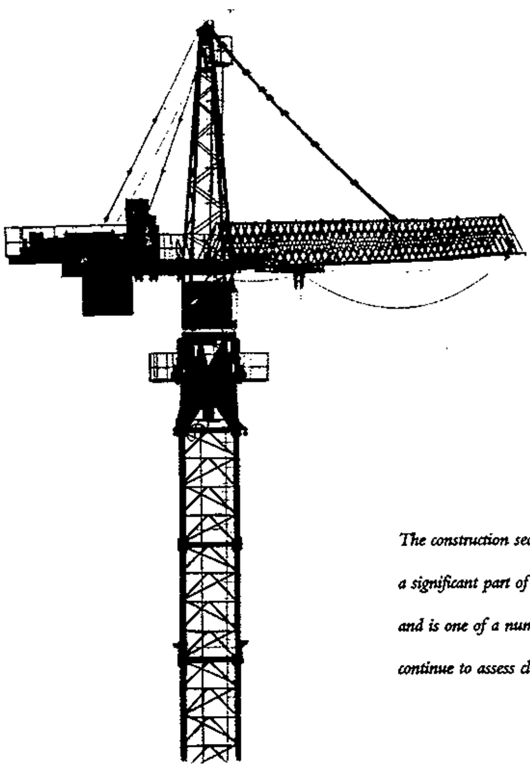
We also increased by 20%, the number of visits to risk companies (the customers of our clients). These visits numbered 860 during 1995, primarily to meet management and to clarify information with them. These meetings often include their advisers and bankers and, on a number of occasions lead to solutions which ensure the survival of companies whose future maybe otherwise in doubt.

Gross new business at £16.2m premium income (£17.1m in 1994) reflected the increased competition. The imposition of insurance premium tax also had a negative effect on sales, particularly as competitive products (e.g. factoring) are not similarly affected. Overall premium income rose by 2%.

Our underwriting philosophy is to maintain a responsible balance between price and risk exposure and to differentiate between the various qualities of business propositions considered. We do not compete on price alone but by adding value with supplemental services.

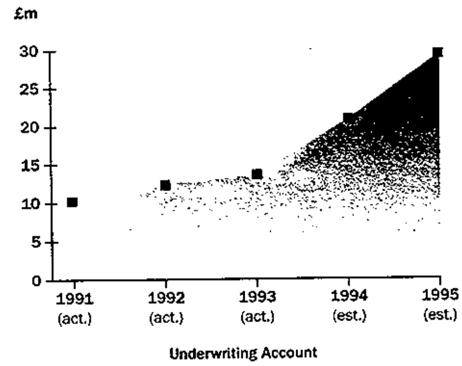
We aim to build lasting partnerships with our clients, founded on an in-depth understanding of their businesses, their customers and the sectors in which they operate. Our structure provides our clients with direct access to a trade-based underwriter within a team managing their needs. Decisions are therefore frequently taken on site (assisted by on-line access to our database), during regular visits to our clients' locations.

Demand for multi-market solutions to trade credit risk in export as well as domestic markets continues to grow as companies become more international. Our domestic portfolio now has one third of its make-up in multi-market policies.



The construction sector in the UK forms a significant part of our risk portfolio and is one of a number that we continue to assess closely.

UK export & international premium income 1991-1995



Technology has allowed us to grow our range of service options for smaller businesses during 1995. We see this development as enabling us to grow our penetration of the UK market.

Generally, we have developed a broad product range of added-value services that provide active credit management tools for businesses, large or small.

We continue to have discussions with the CBI, The Bank of England and HM Treasury regarding the Government's consideration of changes to the 1986 Insolvency Act; the possible imposition of statutory penalty interest in regard to late payment; and the economy in general.

UK export & international underwriting

Export turnover insured in 1995 was £13.2bn (1994: £8.5bn), and our share of the export credit market increased substantially. Overall premium income rose by 49%. New business totalled £10.1m (£6.3m in 1994), well spread across different industries.

As a result, our spread of risk by trade sector improved, producing a well-balanced overall risk portfolio. Nearly half of all new business consisted of companies who had not previously credit insured. Almost one third was derived from international groups whose head offices are resident outside the UK.

Claims paid were highest in Italy and France as the economic position in those countries pressurised business.

Country risk exposures continue to be dominated by Western Europe and North America. However, our fastest growing regional exposure is Asia-Pacific and we expect this trend to continue in 1996.

The open underwriting accounts, for 1994 and 1995, continue to develop ahead of our expectations due to new business targets being exceeded and claims occurring at lower levels than anticipated. Our service is based on active risk management, buyer, trade and country information (in relation to the customers of our clients) and close client relationship. Our underwriters visited 36 countries and over 220 buyer risk companies in 1995.

These visits, combined with investments in technology, have led to speedier handling of new credit limit requests. During 1995, these exceeded 35,000 in number and 93% of all requests were answered within 10 days.

During 1995, we introduced "Export Builder" - which provides a number of low-cost optional policy choices for smaller exporters. Initial reactions from the market have been very favourable with new business proposals running ahead of our expectations.

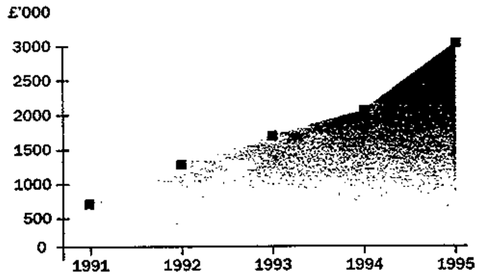
Our business is essentially the protection of short term risk. Many major

Dick Watt, Assistant Director in Trade Indemnity's export underwriting team, pictured on the right during a visit to Dubai. Dick's trip, which also included Saudi Arabia and Qatar, was one of a number made to many different countries during 1995 with the purpose of clarifying business and financial information with companies who are buyers from Trade Indemnity clients.

corporations however are involved with projects around the world which have all the characteristics of short term business but which involve credit periods in excess of three years or unusually large contract values. Until now, we have been unable to support these contracts. They were the exclusive preserve of a major competitor who was in receipt of Government reinsurance for them and of the Government itself (ECGD).

We have now obtained similar support from government through ECGD for a 100% reinsurance facility, in respect of such 'long and large'contracts, where Trade Indemnity clients wish their normal short term export credit arrangements to be extended to cover this area. A new area of competition has therefore been opened for us. We hope that many companies will now consider

Combined profits before tax of related services businesses and associate



using our services in the 'long and large' project field.

We have invested in both people and technology to support the doubling of our business over the last two years. We expect 1996 will continue to show further profitable growth.

Trade Indemnity Risk Services Ltd

Risk Services made a strong contribution to Group profits. We have continued to make investments to improve the quality and speed of information used by our underwriters in assessing risks in the 176 countries, where we are exposed in respect of current credit limits.

Credit*stream*, Trade Indemnity's electronic highway, is now used by over 1500 clients and more new services will be launched in 1996. First Source, a service to help our clients assess their lower value risks, is now giving opinions on over 700 corporate risks a day. Further growth is anticipated in 1996.

Trade Indemnity Collections Ltd.

Collections saw revenue grow by 44% in 1995. We introduced a new service in respect of overdue accounts with low-value invoices. The worldwide collection service, introduced at the end of 1994, has attracted many new clients.

These investments produced a return to profit in line with projections. Although operating in a very competitive environment, we believe the quality of our service will enable us to build upon current progress in 1996 - not only as a stand-alone service but as one offered in conjunction with credit insurance.

Trade Indemnity - Heller Commercial Finance Ltd.

1995 was another year of excellent progress with the total volume of receivables processed rising by 24% to over £1.5 billion. This was the result of a return to more buoyant growth for our existing client base and another strong year for the acquisition of new business.

Turnover increased by 31% with profit before tax being 40% ahead of 1994 at £3.5 million. Trade Indemnity's 50% interest is therefore £1.75m.

Subsidiary companies offering trade finance and merchant finance services both performed satisfactorily, with the selling of joint invoice discounting and trade finance facilities being particularly successful. An increasing number of new business leads came from the Trade Indemnity Group at large.

The challenge now is to maintain the record of significant growth and to offer an expanding range of complementary financial products in an increasingly competitive environment.

Group new business has increased over a 3 year period - in the UK against the overall downward trend of business failures. This represents a reversal of historic trends and justifies our strategy of adding service value to our core insurance products.

Group new business

New business was at an all time high of £31.4m, (£27.2m in 1994), and was achieved against severe competition in the UK and Australian domestic markets.

UK sales

In the UK, which accounted for £26.3m of the total, we continued to strengthen the partnership we have with brokers in the development of our business. They produced sales of £18.1m (1994: £16.8m) a 7.5% increase. Our direct sales at £8.2m (1994: £6.5m) showed a 26% increase, within which was a significant contribution from our investment in both domestic and export products to support the smaller business community. Net new business, which we define as sales less terminated business, was a record £12.1m with brokers contributing £6.6m and our direct sales team £5.5m.

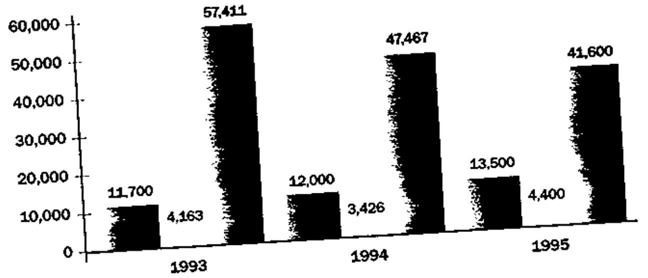
Business development and marketing

A series of initiatives to open-up new markets for the Group's services formed the backbone of our marketing and business development activities.

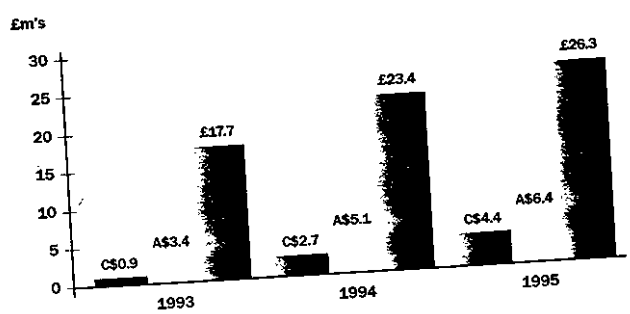
Following a successful trial, Export Builder, a service for smaller, experienced exporters, was formally launched as an addition to our growing family of products for the smaller business community. These products are successfully attracting new business from previously uninsured companies in a segment of the market, previously poorly serviced by credit insurance. A scheme allowing customers to use their credit insurance policy to gain financing secured against their trade receivables was developed with several of the leading clearing banks - and is expected to provide a further boost to new business and retention activities.

Significant progress was also made during the year in developing our network of contacts among professional advisers (accountants and solicitors) and business associations (Business Links and trade organisations). The Group's corporate identity was modernised, and we received a substantially higher number of enquiries as a result of high profile press advertising and direct marketing campaigns.

Business failures in Canada, Australia & United Kingdom



Group new business



Julien Fossez and Claudio Pastorini, directors of Trade Indemnity's French and Italian offices, discuss liaison on international risk management activities in Milan with Trade Indemnity plc director David Neckar, responsible for international development.

International

Our strategy has a twin-track approach. As our international risk exposures develop (on the back of our export and international underwriting growth), we require a local presence to help us manage those risks in the major markets for our export clients. At the same time, we are looking for opportunities to develop our underwriting operations in those territories who export back into our principal operating areas of Europe, North America and Australasia.

Europe

In September, we established our first office in continental Europe. Our Milan office was opened by the British Consul-General. The formal opening was attended by local credit insurers, information agencies, bankers and brokers, including representatives of Trade Indemnity's major UK brokers.

In November, the appointment of our representative for France was announced and risk management operations became active in March 1996.

ıcific

ɡust, Trade Indemnity signed a ›randum of Understanding with ong Kong Export Credit Insurance ›ration. This will provide a platform ıe development of our relationships ›perations in this rapidly growing :omic area. Exchange visits by :rwriters in both companies have ·n place and this will be ongoing. see this as a most important step ›upporting our clients in the fastest ›wing area of their export activity.

ıde Indemnity Australia Ltd. &
ade Indemnity New Zealand Ltd.

.onsolidated figures show a profit before ıx of £4.5m (A$9.4m) compared with ̧1.7m (A$2.6m) in 1994. This result, ncorporating the closure of the 1993 .ınderwriting account, was influenced by an increase in premium of 1.3% and a reduction of 28.0% in gross claims. Both figures reflect action taken by management to improve the quality of its written business following losses in earlier years.

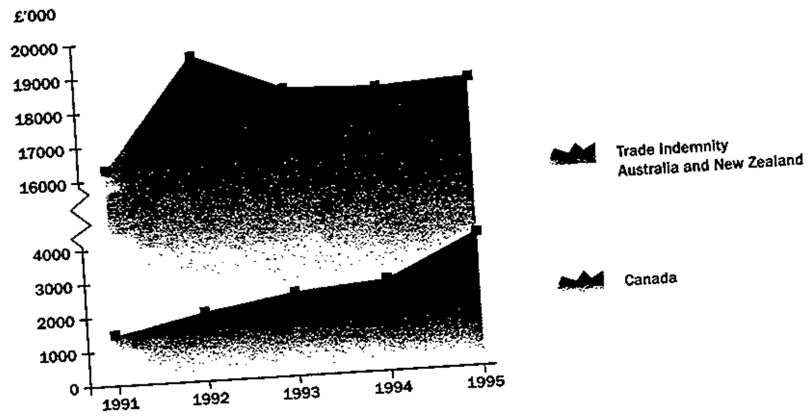
Turnover insured was £6.0bn (1994: £5.4bn), within which £2.0bn was export (1994: £1.5bn). New business was £3.1m (£2.5m in 1994) with good growth achieved in our export portfolio. Shareholders' funds grew from £9.9m to £11.7m. The open underwriting accounts are developing in line with our projections and represent a consolidation of the quality improvement process.

Our principal office is in Melbourne, Victoria, where we maintain both the corporate head office as well as regional underwriting and sales functions. We also conduct regional underwriting and sales from offices in Sydney, New South Wales and in Brisbane, Queensland.

Our wholly owned subsidiary, Trade Indemnity New Zealand Ltd., is based in Auckland. Formed in 1989, it is now of considerable influence in the New Zealand market. It is a leading writer of domestic credit insurance and is also a substantial underwriter of export credit in a country with a well developed export philosophy.

Peter Graham is Managing Director of Trade Indemnity Australia Ltd. The Board also comprises John Bishop, Russell Benzies and Doug Brunner (all from Trade Indemnity in London) together with Barry Capp as our locally appointed non-executive Chairman. Duncan Andrews was appointed recently as a non-executive director. He is also a director of Treasury Corporation of

Overseas underwriting offices
Gross Premium
(1993 and prior years not restated)



In 1995 our underwriters from the UK, Australia and Canada visited 355 overseas buyer risk companies in 38 countries.

Victoria, of the Victorian Debt Retirement Authority and of Citi-Power Ltd.

The management team has recently been strengthened by the recruitment of a new Risk Manager. During 1995 we moved the Melbourne and Sydney office locations to improved accommodation and these changes were well received by clients and staff.

Trade Indemnity plc. - Canada

Our twin objectives are to operate a profitable underwriting account and to provide a risk management service to the Group for risks within North America.

We experienced another year of strong growth with premium up more than 40% and a break-even position achieved earlier than anticipated. New business in 1995 amounted to £2.1m. We continued to gain market share and in an immature credit insurance market, some 75% of the new growth came from first time users of the product. Turnover insured was £2.2bn (1994: £1.9bn).

We have supported the growth in business with appropriate increases in staff numbers, with a significant investment in information systems and with the development of key distribution channels. Furthermore we have decentralised our underwriting and risk management operations to the key Toronto market.

We have played our part in Trade Indemnity's global risk management strategy with enthusiasm. In this context we visited many major group risks in both USA and Canada in 1995.

Our investment in risk management in the early 1990's has facilitated the steady growth of our continuing underwriting operations' results.

Financial highlights

	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000
Continuing underwriting operations' result	**16,718**	6,354	1,712	(6,705)	(25,110)
Profit (loss) before tax	**17,332**	(6,192)	5,831	(4,894)	(46,557)
Shareholders funds and equalisation provision	**68,897**	56,050	64,772	51,343	49,625
Gross premium income	**169,350**	154,579	145,007	147,153	138,873
Earnings (loss) per share	**5.0p**	(3.9p)	4.5p	(1.0p)	(26.3p)

The 1993 and prior years figures have not been restated to reflect the current accounting policies.

Equity & bond markets

The world's equity and bond markets enjoyed a significant recovery during the year. This was in contrast to the turbulence of 1994 which developed when the US Federal Reserve raised short term interest rates.

In the UK , the FTSE 100 closed 1995 at a then all time high of 3689.3 representing a rise of 20.3% for the year. The Gilt market, as reflected in the FT British Government All Stocks Index, also rallied to close at 145.47, a rise of 6.7% on the year.

The outlook suggests a continuing bull run for the early part of 1996, but longer term indications are tempered by uncertainty concerning the next moves the leading world economies will take, either as a result of forthcoming elections, or in their attempts to comply with European Monetary Union criteria.

Risk management

Throughout 1995, we continued to build our predictive techniques especially for the UK economy, its constituent trade sectors and individual company risks. We began developing our international risk management network, and we provided consistent focus on the major risks in our portfolio.

In the first half of the year, we detected a marked slowing in growth in the UK and Europe as unsold goods accumulated, demand felt the force of tax rises, and real wages were squeezed. This increased pressure on consumer goods industries, such as retailing and textiles, and helped slow the strong performance in early 1995 of the more cyclical sectors (such as metals and pulp and paper).

Internal actions taken as a result of our projections improved the overall shape and balance of our risk portfolio during 1995.

Our earlier prediction of a 12% improvement in the number of failures notified to us during 1995 proved correct, confirming an acceptable level of risk in our portfolio. Although we saw a 22% rise in risk exposed during the 12 months of 1995, we saw the balance swing markedly towards healthier risk sectors.

We continue to assess closely those sectors of the UK economy, such as construction, metals, and textiles, which form significant parts of our risk portfolio. We also concentrate on the analysis of all major risk exposures held. Over 300 groups of companies are involved and exposures are in excess of £8 billion. All have been presented to

Bridget Chapman, Assistant Director in Trade Indemnity's domestic underwriting team, learns at first hand, about the challenges being faced by her client Tarmac in building the new Jubilee Line Station immediately beneath Trade Indemnity's new offices in the Canary Wharf Tower. She is pictured with Chris Reynolds, Chief Accountant at Tarmac Quarry Products Limited.

and reviewed by the Group Credit Committee.

Additionally, as in previous years, we have worked on several company restructuring programmes. Typically this has meant negotiating with companies, their advisers and their bankers. We believe we have helped to keep a number of companies afloat in this way. The process has also meant an avoidance of loss for our clients. We will pursue these activities throughout 1996.

In the UK for 1996 we anticipate a gradual improvement in the economy after a sluggish first half, as monetary conditions are relaxed and as productivity advances plus cost controls help companies make progress. Our view is that the UK should achieve GDP growth of slightly less than 2%. The total number of UK business failures reported to the Group in 1995 was 2937 (1994: 3321). We do not consider that insolvencies will show any fall in their numbers in 1996.

We see growth prospects in Asia Pacific offering significant opportunities for exporters. Both Europe and the USA show signs of slower growth and thus more difficult sales prospects for our clients. Most European Union countries have suppressed growth in the interests of meeting European Monetary Union criteria.

Our strategy is to become closer to risks in countries important to UK exporters. Our overseas offices in Australia, Canada and more recently in Italy and France are delivering the same form of intelligence gathering and risk analysis support as that already in place in the UK. This expanded network gives us much closer access to major markets globally and will be enhanced further in 1996 with the opening of an office in Germany. Collectively these offices should give us a high quality international intelligence and analytical network, allowing us to expand our risk base with confidence. Our proposed merger with C.F. SFAC will speed up this process.

Information technology

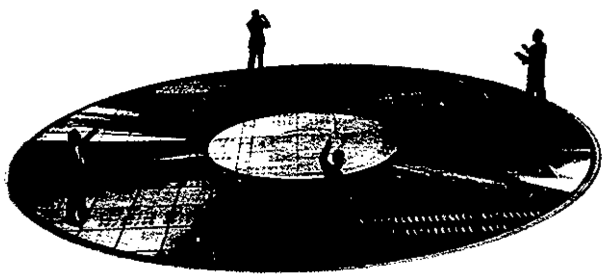
The continued development of the Group, together with a growing range of products and services, relies increasingly upon the effective application of information technology.

During 1996, further investments are planned to improve the efficiency of the computer operation. This includes the introduction of new automatic tape robotics to support continuous 24 hour operation. Similarly, the computerised business systems will see developments, including additional enhancements to our Credit*stream* service.

During 1995, Trade Indemnity received a European Silver Award for Quality in production-imaging applications. This was awarded for the document imaging system which we have integrated into our underwriting process. 1996 will see further exploitation of this workflow technology.

A new office system is being installed to improve internal communication. This system has standard compliant components which will provide us with the opportunity to improve electronic communication with both clients and brokers.

Technology is an essential tool for our data base management - and for its communication both to our own staff and to our clients.



Directors and Advisors

Anthony L Brend ■ ●

Appointed to the Board in 1992 and has been Chairman since 1993.

He was formerly Chief Executive of Commercial Union plc. Age 61.

Andrew M Reid ■ ▲ ●

Appointed to the Board in 1982 and has been deputy Chairman since 1993.

He was formerly Chairman of Imperial Tobacco Ltd. Age 66.

John H Bishop

Appointed to the Board in 1995 and became Chief Executive of Trade Indemnity Group PLC in September 1995. Age 51.

L Douglas C Brunner

Appointed to the Board in 1995. Joined the Group in 1970 and is responsible for Sales and International activities. Age 42.

Peter J Foster ■

Appointed to the Board in 1995.

He is Finance Director of Commercial Union plc. Age 49.

Jason C Frangoulis ■ ▲

Appointed to the Board in 1990.

He was formerly Director of General Accident plc. Age 73.

Graham J Kent

Appointed to the Board in 1995.

Joined the Group in 1984 and is responsible for U.K. Businesses. Age 42

James Morley ■ ▲

Appointed to the Board in 1991.

He is a Director of Guardian Royal Exchange plc. Age 47.

Theo J Obrist ■

Appointed to the Board in 1993. He is a General Manager of Swiss Re. Age 59.

Christopher H Sporborg ■ ●

Appointed to the Board in 1994.

He is Deputy Chairman of Hambros PLC. Age 56.

■ *Non Executive*
▲ *Member of the Audit Committee*
● *Member of the Remuneration Committee*

Company Secretary: Richard D Tarling

Registered Office:

1 Canada Square
London E14 5DX

Auditors:

Coopers & Lybrand
1 Embankment Place
London WC2N 6NN

Principal Bankers:

Lloyds Bank Plc
72 Lombard Street
London EC3P 3HA

Merchant Bankers:

Lazard Brothers & Co., Limited
21 Moorfields
London EC2P 2HT

Solicitors:

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Clyde & Co.
51 Eastcheap
London EC3M 1JP

Stockbrokers:

Cazenove & Co.,
12 Tokenhouse Yard
London EC2R 7AN

Registrars and Transfer Office:

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham BR3 4TU

Directors' Report

Principal activity The company is a holding company for subsidiaries offering credit management services both in the United Kingdom and overseas.

Review of the business The results for the year are set out in the non-technical account on page 24. The Directors are pleased to report excellent results for 1995 with improvements in all mainstream activities.

The proposed merger of Trade Indemnity Group's business with that of Compagnie Financière SFAC in order to form a new international credit insurance company will be a major step in the development of the European credit insurance industry. Trade Indemnity will continue to operate in the UK, Canada and Australia.

Changes in presentation of the financial statements The financial statements have been prepared in accordance with Schedule 1, Part II of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 which amend section 255 and schedule 9A of the Companies Act 1985. The prior year figures have been restated to comply with the changes to the financial statements introduced by the Regulations. The majority of changes to the financial statements relate to additional disclosure, but where changes in accounting policies have been made the effect is explained in note 1 to the financial statements.

Dividends and transfer to reserves The Directors declared and paid a first interim dividend of £925,000 and propose a second interim dividend of £2,559,000 (1994 - Interim £740,000, Final £1,096,000), which is conditional upon the offer from Compagnie Financière SFAC S.A. becoming wholly unconditional.

After declaring the above dividends a profit of £5,647,000 (1994 loss £8,922,000) will be retained.

Directors The Directors in office at 31st December 1995 and their interests in the share capital of the Company at 1st January 1995, or date of appointment, and 31st December 1995 were as follows:

	25p Ordinary Shares	
	31st December 1995	1st January 1995 or date of appointment
Fully Paid Shares		
A. L. Brend	-	-
A. M. Reid	36,750	24,750
J. H. Bishop	-	-
L. D. C. Brunner	-	-
P. J. Foster	-	-
J. C. Frangoulis	-	-
G. J. Kent	23,322	23,322
J. Morley	-	-
T. J. Obrist	-	-
C. H. Sporborg	-	-
	60,072	48,072

Both Directors have agreed to sell their shareholdings to Compagnie Financière SFAC S.A. under the terms of its offer dated 16th February 1996.

Share Options

Director	Number of Options		Exercise Price	Date from which exercisable	Expiry Date
	At Date of Appointment	At 31.12.95			
J.H. Bishop	0 0	302,083 137,658	£0.72 £0.79	17.03.98 23.08.98	16.03.05 22.08.05
L.D.C. Brunner *	106,452 30,803	106,452 30,803	£0.70 £0.56	01.04.91 01.09.99	31.03.98 28.02.00
G.J. Kent *	106,452 55,355 51,097 30,803	106,452 55,355 51,097 30,803	£0.70 £0.96 £0.86 £0.56	01.04.91 31.10.93 06.04.94 01.09.99	31.03.98 30.10.00 05.04.01 28.02.00

*Granted under Save As You Earn Scheme

No option lapsed and no option was exercised during the year.

The mid market price of the shares at 31st December 1995 was 73p and the range during 1995 was 62p to 81p.

Mr J.G.T. Carter and Mr V.C. Jacob were Directors of the Company until they retired from the Board on 7th August and 5th December 1995 respectively. Mr J.H. Bishop, Mr L.D.C. Brunner and Mr G.J.Kent were appointed to the Board of the Company on 1st March 1995 and Mr J.H. Bishop was appointed Chief Executive on 1st September 1995. Mr P.J. Foster was appointed a Director on 7th August 1995.

In the event that the C.F.SFAC S.A. offer to purchase the Company becomes wholly unconditional Mr A.M. Reid, Mr J.C. Frangoulis, Mr P.J. Foster, Mr J. Morley and Mr T.J. Obrist will retire and Mr P.H. Denieuil and Mr J. Lanier will be appointed Directors.

At 27th March 1996 there were no changes in Directors' shareholdings.

There were no significant contracts between any Director and the Company subsisting during or at the end of the financial year. Mr J. H. Bishop has a service contract with an initial term agreed until 1st September 1997. No other Director has a service contract exceeding 12 months in duration.

Substantial interests At 27th March 1996 the Company had received notification of the following interests amounting to 3% or more in the issued share capital of the Company:

	Number of Shares	% Holding
C E Heath Group	9,188,718	5.03
Commercial Union Assurance Co Plc	16,681,500	9.13
General Accident Group	8,827,500	4.83
Guardian Royal Exchange Group	33,264,000	18.20
Haftpflichtverband Der Deutschen Industrie		
Held jointly by Eisen & Stahl Re AG, Hannover Re AG	9,665,500	5.29
Munich Re	14,850,000	8.13
NCM Holding NV	7,187,050	3.93
Royal Insurance Group of companies	8,947,549	4.90
Swiss Re Holding Limited	32,076,000	17.55
	140,687,817	76.99

All the above shareholders have agreed to sell their shareholdings to Compagnie Financière SFAC under the terms of its offer dated 16th February 1996.

Tangible assets The changes in tangible assets are detailed in note 10 to the financial statements. As a result of the decision to move the Group head office to Canary Wharf, the freehold land and buildings have been transferred from tangible assets to investments. The land and buildings were revalued and £8,000,000 was written off in the non-technical account.

Charitable donations During the year the Group made charitable donations of £4,654 (1994 £4,220). No political donations were made.

United Kingdom employees Regular briefing sessions are held with senior managers who are responsible for effective communication with staff in their operational areas to promote a better understanding of the objectives, activities and performance of the Group.

The Company operates a UK employee profit-sharing scheme, a Save As You Earn scheme and an executive share option scheme. The schemes are designed to encourage the involvement of managers and staff in the performance of the Group.

Whilst the Directors will not be allocating any sum to the UK employee profit-sharing scheme this year (1994: nil), the Directors have allocated a sum of £650,000 by way of a bonus (1994: £315,000).

Under the Save As You Earn scheme 435,656 options were issued to employees in 1995 (1994: 1,296,143). The options are exercisable in accordance with scheme rules at 56 pence each. 302,083 share options at 72 pence each and 137,658 share options at 79 pence each were issued under the executive share option scheme.

It is the Group'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 Group gives fair consideration to applicants for jobs who are 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 Group continues to train and promote disabled employees where this is in the best interest of the Group and the individual concerned.

Cadbury and Greenbury disclosure Although the Company is not yet delisted, the 98% acceptance of Compagnie Financière SFAC's offer means that delisting will occur during 1996. Once delisted the Company will not be required to publish a statement of compliance with the Cadbury Code on Corporate Governance. In these accounts the Board have decided not to publish statements in relation to internal financial control and that the business is a going concern nor to require auditor review of these statements because of the time and expense involved in the preparation of such statements. The Directors consider that except for the publication of these statements and for review by the auditors of the Company's statement of compliance with the Code, they have followed the requirements of the Code. Similarly, some of the additional disclosure recommended by the Greenbury Committee has not been presented.

Prompt payment The Group is signatory to the CBI Code of Practice on Prompt Payment.

Directors & Officers' insurance The Group has purchased and maintains insurance for its Directors and Officers against liability for negligence, default, breach of duty or breach of trust in relation to the Group.

Tax status At 31st December 1995 the Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors A resolution to re-appoint Coopers & Lybrand as the Company's auditors will be proposed at the Annual General Meeting.

By Order of the Board

R. Tarling

27th March 1996

R. D. Tarling, Secretary

Summary Consolidated Profit and Loss Account

for the year ended 31st December 1995

	1995 £'000	1994 £'000
Underwriting result	**16,996**	(610)
Investment income	**6,532**	5,999
Result of related services subsidiaries	**1,223**	729
Share of associated undertaking's profits	**1,751**	1,250
	26,502	7,368
Other charges	**(3,975)**	(2,367)
Profit on ordinary activities before taxation	**22,527**	5,001
Taxation on profit on ordinary activities	**(4,900)**	(894)
Profit on ordinary activities after taxation	**17,627**	4,107
Earnings per share	**9.6p**	2.2p

Note: The above figures are for comparative purposes to enable shareholders to compare the trading performance of the Group in 1995 with that of 1994. The figures are presented on a similar basis to the 1994 Report and Accounts. The above statement does not comply with the new accounting rules for insurance companies and in addition does not include a transfer to equalisation provision for the 1995 underwriting result as required by the Companies Act nor does it reflect the diminution in value of the property.

:solidated Technical Account

: year ended 31st December 1995

	1995 £'000	Restated 1994 £'000	Notes
iums net of reinsurance			
›s premiums	**169,350**	154,579	
wards reinsurance premiums	**(97,066)**	(94,694)	
written premiums	**72,284**	59,885	
er technical income – information charges	**4,100**	3,171	
	76,384	63,056	
ims incurred net of reinsurance			
›ss claims paid	**(81,504)**	(71,814)	
insurers' share	**46,523**	42,303	
t claims paid	**(34,981)**	(29,511)	
ange in technical provision			
'oss amount	**22,625**	(32,328)	
:insurers' share	**(19,196)**	22,700	
ıange in net technical provision	**3,429**	(9,628)	
et operating expenses	**(28,114)**	(25,063)	4
hange in equalisation provision	**(7,200)**	–	
:alance on the technical account	**9,518**	(1,146)	
ıttributable to:			
:ontinuing operations	**9,518**	6,354	
)iscontinued operations	**–**	(7,500)	
	9,518	(1,146)	

Consolidated Non-Technical Account

for the year ended 31st December 1995

Notes		1995 £'000	Restated 1994 £'000
	Balance on the general business consolidated technical account	**9,518**	(1,146)
3a	**Investment income**	**14,286**	6,695
	Unrealised gains on investments	**2,762**	–
	Unrealised (losses) on investments	**–**	(9,466)
3b	**Investment expenses and charges**	**(233)**	(1,887)
1	**Profit of related services subsidiaries**	**1,223**	729
	Share of associated undertaking's profits	**1,751**	1,250
7	**Diminution in value of property**	**(8,000)**	–
		21,307	(3,825)
	Other charges	**(3,975)**	(2,367)
2	**Profit (loss) on ordinary activities before taxation**	**17,332**	(6,192)
6	**Tax on profit on ordinary activities**	**(8,201)**	(894)
	Profit (loss) for the financial year	**9,131**	(7,086)
	Dividend: First interim – paid	**(925)**	(740)
	Second interim – proposed	**(2,559)**	–
	Final	**–**	(1,096)
		(3,484)	(1,836)
	Retained profit (loss) for the year	**5,647**	(8,922)
5	**Earnings (loss) per share**	**5.0p**	(3.9)p

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1995

		1995 £'000	Restated 1994 £'000
	Profit (loss) for the financial year	**9,131**	(7,086)
	Other recognised gains for the year	**–**	200
	Total recognised gains (losses) for the year	**9,131**	(6,886)
12	Prior year adjustment	**6,740**	–
	Total gains (losses) recognised since last annual report	**15,871**	(6,886)

nsolidated Balance Sheet

t 31st December 1995

	1995 £'000	Restated 1994 £'000	Notes
sets			
vestments			
nd and buildings	**4,000**	12,882	7
vestment in associated undertaking	**10,141**	9,072	8
ther financial investments	**112,329**	95,193	9
	126,470	117,147	
einsurers' share of technical provisions	**65,454**	84,650	13
ebtors			
ebtors arising out of direct insurance operations	**18,566**	12,609	
ebtors arising out of reinsurance operations	**1,470**	3,276	
ther debtors – taxation recoverable	**1,076**	1,656	
	21,112	17,541	
Other assets			
Tangible assets	**3,945**	4,084	10
Cash at bank and in hand	**1,557**	4,362	
	5,502	8,446	
Prepayments and accrued income			
Pipeline premiums	**54,805**	49,786	
Total assets	**273,343**	277,570	

Consolidated Balance Sheet

as at 31st December 1995

Notes		1995 £'000	Restated 1994 £'000
	Capital and reserves		
11	Called up share capital	**45,690**	45,690
12	Share premium account	**22,072**	22,072
12	Profit and loss account	**(6,065)**	(11,712)
	Shareholders' funds attributable to equity interests	**61,697**	56,050
13	**Technical provisions**	**145,974**	168,589
14	**Equalisation provision**	**7,200**	–
	Provision for other charges		
	Deferred tax	**912**	–
	Creditors		
15	Arising out of direct insurance operations	**12,725**	11,085
	Arising out of reinsurance operations	**4,420**	7,602
	Bank overdraft	**–**	1,052
16	Other creditors including taxation and social security	**8,838**	2,122
		25,983	21,861
	Accruals and deferred income		
	Reinsurers' share of pipeline premiums	**31,577**	31,070
	Total liabilities	**273,343**	277,570

Company Balance Sheet

as at 31st December 1995

	1995 £'000	1994 £'000	Notes
Investments	**72,304**	72,743	9
Current assets	**1,865**	1,850	
Less current creditors	**(6,156)**	(5,352)	16
Net current liabilities	**(4,291)**	(3,502)	
Net assets	**68,013**	69,241	
Share capital	**45,690**	45,690	11
Share premium account	**22,072**	22,072	12
Profit and loss account	**251**	1,479	12
Shareholders' funds attributable to equity interests	**68,013**	69,241	

Approved by the Board of Directors on 27th March 1996 and signed on its behalf by:

A. L. Brend
J. H. Bishop } Directors

Consolidated Cash Flow

for the year ended 31st December 1995

Notes		1995 £'000	1994 £'000
	Operating activities		
	Net premiums received from customers	**146,346**	134,278
	Net reinsurance premiums paid	**(66,498)**	(62,283)
	Claims paid	**(81,504)**	(71,814)
	Reinsurance receipts in respect of claims	**49,176**	43,448
	Profit commission received	**343**	345
	Cash paid to and on behalf of employees	**(20,729)**	(18,544)
	Interest received	**2,443**	3,669
	Dividends received	**3,404**	1,315
	Rents and other income received	**–**	925
	Other operating cash payments	**(24,365)**	(19,088)
	Non-underwriting subsidiaries	**1,591**	550
20	**Net cash flow from operating activities**	**10,207**	12,801
	Returns on investments and servicing of finance		
	Dividends received from associated undertaking	**–**	2,000
	Dividends paid	**(2,021)**	(1,653)
	Net cash outflow from returns on investments and servicing of finance	**(2,021)**	347
	Taxation		
	Tax paid	**(775)**	(1,138)
	Investing activities		
	Purchase of liquid investments	**(1,336,987)**	(365,013)
	Investment in associated undertaking	**–**	(5,000)
	Sale of liquid investments	**1,350,566**	346,333
	Sale of other investments	**11**	11
	Purchase of tangible fixed assets	**(2,888)**	(2,669)
	Sale of tangible fixed assets	**235**	467
	Net cash flow from investing activities	**10,937**	(25,871)
	Net cash flow before financing	**18,348**	(13,861)
	Financing		
	Issue of share capital	**–**	48
	Net cash inflow from financing	**–**	48
21/22	**Increase (decrease) in cash and cash equivalents**	**18,348**	(13,813)

Accounting Policies

Basis of preparation

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 came into effect during the year and accordingly have been applied in these financial statements. The Company has restated the comparative figures for the year ended 31st December 1994 to reflect changes in the presentation of the financial statements introduced by the Regulations. The figures include a transfer to equalisation provision which is not in accordance with UK generally accepted accounting principles but is a legal requirement for credit insurance companies.

In accordance with the Regulations the Company has changed its accounting policy whereby unrealised investment gains/losses are now accounted for in the non-technical account rather than in the revaluation reserve as in previous years. The effect of the above change is disclosed in note 2(d).

The Group financial statements are prepared in accordance with applicable accounting standards and in compliance with Section 255A of, and Schedule 9A (as modified by Part II of Schedule 9A) to, the Companies Act 1985. The Company financial statements have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985. As permitted by Section 230(3) of the Companies Act 1985, the Company's Profit and Loss Account has not been presented.

The Group has taken advantage of the transitional amendments to Financial Reporting Standard number 5 relating to insurance broking transactions.

Basis of consolidation

The consolidated financial statements consist of the accounts of the parent company and its subsidiaries up to 31st December in each year.

Basis of accounting

The Company accounts for its insurance business on the fund accounting basis because the Directors consider that the information on premiums receivable and claims payable is insufficient for reliable estimates to be made at the end of an underwriting year.

Premiums and claims are accounted for and recorded in the technical account when written and paid respectively and are attributed to the appropriate underwriting year.

The result is determined at the end of the third year after providing for claims notified but not yet paid, provision being made where necessary in the intervening open years for future anticipated losses. Any balance of net revenue for each of the last two underwriting years is carried forward.

Non insurance business is accounted for on an historical cost basis.

Interest in Group undertakings

Shares in subsidiary undertakings are stated in the parent company accounts at cost less any permanent diminution in value. Shares in the associated undertaking are included in the parent company balance sheet at cost and in the consolidated balance sheet at the Group's share of net assets.

Translation of currency

Assets and liabilities held in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Differences on exchange arising from the translation of the net assets of the overseas branch are dealt with through the non-technical account. All differences on exchange are dealt with through the non-technical account.

Tangible assets

Expenditure incurred in the provision of equipment, motor vehicles and software development is written off on a straight line basis over their estimated useful lives, principally four years.

Investments

Listed investments are shown at market value. Unlisted investments are shown at Directors' valuation, based on the net asset value of the holding as shown in the latest available audited financial statements.
Investment income is accounted for on a receivable basis. Dividends are recognised on the date on which the related investment is 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 dates or their purchase price if purchased during the year. All unrealised gains and losses are included in the non-technical account.
Land and buildings held as investment properties are valued at open market value. Any diminution in value is charged to the non-technical account. Property occupied and owned by the Company is depreciated on a straight line basis over fifty years.

Equalisation provision

An equalisation provision in respect of credit and suretyship business has been established in accordance with the requirements of the Insurance Companies Regulations 1994 with the intention of equalising reported loss experience in future years. This provision, which is in addition to the provisions required to meet the anticipated ultimate cost of outstanding claims at the balance sheet date, is required by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 to be included within technical provisions in the balance sheet; movements in the provision are reflected in the result for the financial year. This year is the first requiring a transfer to the equalisation provision and has had the effect of reducing the general business technical account result and the profit before taxation by £7,200,000 (1994: NIL) and reducing shareholders' funds at 31st December 1995 by £7,200,000 (1994: NIL).

Taxation

Provision for deferred taxation is calculated on the liability method and is provided only to the extent that it is considered reasonably probable that the liability will become payable within the foreseeable future.

Pension benefits

The cost of providing pension benefits is charged against the technical account on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the technical account and payments made to the plans are treated as assets or liabilities in the balance sheet.

Notes to the Financial Statements

for the year ended 31st December 1995

1. Operating results of related services subsidiaries

The related services subsidiaries, all of which provide credit risk management services, generated operating profits before tax of £1,223,000 (1994 – £729,000) on turnover of £3,115,000 (1994 – £1,953,000).

2. Profit before taxation

Profit before taxation is stated after charging:

		1995 £'000	1994 £'000
(a)	Depreciation	**3,176**	3,164
	less: Allocated to the technical account	**(2,533)**	(2,064)
		643	1,100
	and after crediting:		
	Rents receivable	**–**	225
(b)	Hire of plant and equipment	**1,616**	1,841

(c) Segmental reporting

The segmental analysis of the Group's operations by geographical area is as follows:

	Gross premiums written 1995 £'000	Gross premiums written Restated 1994 £'000	Profit (loss) before tax 1995 £'000	Profit (loss) before tax Restated 1994 £'000	Net assets 1995 £'000	Net assets Restated 1994 £'000
United Kingdom	**146,883**	133,542	**12,648**	(7,962)	**47,928**	44,237
Australia	**18,486**	18,244	**4,525**	1,733	**11,705**	9,908
Canada	**3,981**	2,793	**159**	37	**2,064**	1,905
	169,350	154,579	**17,332**	(6,192)	**61,697**	56,050

Due to the nature of the Group's business, principally credit insurance, it is not considered appropriate to split the figures other than by country of origin.

(d) Changes in accounting policies

The effect of changes in accounting policies on the results of the current and previous period are as follows:

	1995 £'000	1994 £'000
Profit before tax prior to changes	**7,327**	5,001
Realised investment gains (losses) now recognised in the non-technical account	**7,243**	(1,727)
Unrealised investment gains (losses) recognised in the non-technical account	**2,762**	(9,466)
Profit (loss) before tax	**17,332**	(6,192)

3. Investment income, expenses and charges

(a) Investment income

	1995 £'000	Restated 1994 £'000
Income from land and buildings	**1,000**	1,575
Income from other investments	**6,043**	5,120
Realised gains on investments	**7,243**	–
	14,286	6,695

(b) Investment expenses and charges

	1995 £'000	Restated 1994 £'000
Realised (losses) on investments	–	(1,727)
Investment expenses	**(233)**	(160)
	(233)	(1,887)

4. Net operating expenses

	1995 £'000	Restated 1994 £'000
Management expenses	**(43,950)**	(36,060)
Brokerage on direct insurance	**(20,057)**	(19,039)
Reinsurance commission	**34,565**	29,691
Profit commission	**1,328**	345
	(28,114)	(25,063)

5. Earnings per share

Earnings (loss) per share amounted to 5.0p (1994 restated – (3.9)p) calculated on a weighted average of 182,758,210 shares (1994 – 182,730,406) in issue during the year and on earnings of £9,131,000 (1994 restated – loss £7,086,000).

6. Taxation

	1995 £'000	Restated 1994 £'000
Taxation charged in the non-technical account comprises:		
UK corporation tax arising from operating profits	**(5,472)**	(107)
Taxation on franked investment income	**(208)**	(166)
Overseas taxation	**(928)**	(128)
Share of associated undertaking's taxation	**(681)**	(493)
	(7,289)	(894)
Deferred taxation on unrealised gains for the year	**(912)**	–
	(8,201)	(894)

The taxation charge for the year has been reduced by the utilisation of £11m of tax losses brought forward.

7. Land and buildings

	1995 £'000
Transferred in:	
At cost	15,270
Less accumulated depreciation	(3,270)
At 31st December 1995	12,000
Value adjustment	(8,000)
At 31st December 1995	4,000
At 31st December 1994	12,882

The property was owned and occupied as business premises until 11th March 1996 and is carried at Directors' valuation as at 6th August 1995. All property is freehold.

8. Investment in associated undertaking

	Current value 1995 £'000	Current value 1994 £'000	Cost 1995 £'000	Cost 1994 £'000
Shares in undertaking	10,141	9,072	11,250	11,250

Current value represents the Group's share of net assets. The Group's share of the associated undertaking's post acquisition reserves is £2,641,000 (1994: £1,572,000).

9. Other financial investments

	Market value 1995 £'000	Market value Restated 1994 £'000	Cost 1995 £'000	Cost Restated 1994 £'000
Ordinary shares – listed	31,854	25,017	26,060	20,944
– unlisted	3,810	4,356	388	842
Unit trusts	6,657	6,650	6,125	6,687
British government securities	24,425	34,759	24,080	34,944
Foreign government securities	8,442	7,360	8,330	7,778
Staff mortgages	127	138	127	138
	75,315	78,280	65,110	71,333
Cash deposits with credit institutions	37,014	16,913	37,014	16,913
	112,329	95,193	102,124	88,246

All listed investments are traded on recognised exchanges.

Investments – Company

	1995 £'000	1994 £'000
Ordinary shares – unlisted	–	439
Investment in subsidiaries	61,054	61,054
Investment in associated undertaking	11,250	11,250
	72,304	72,743

Shares in subsidiary and associated undertakings are stated at cost less any permanent diminution in value.

10. Tangible assets

Fixed assets comprise:

	Motor vehicles £'000	Equipment £'000	Total £'000
Cost at 1st January 1995	1,509	7,626	9,135
Exchange difference	(4)	(39)	(43)
	1,505	7,587	9,092
Additions	884	1,722	2,606
Disposals	(554)	(544)	(1,098)
Cost at 31st December 1995	**1,835**	**8,765**	**10,600**
Depreciation at 1st January 1995	779	4,272	5,051
Exchange difference	(1)	(14)	(15)
	778	4,258	5,036
Disposals	(415)	(428)	(843)
Charge for year	448	2,014	2,462
Depreciation at 31st December 1995	**811**	**5,844**	**6,655**
Net Book Value at 31st December 1995	**1,024**	**2,921**	**3,945**
Net Book Value at 31st December 1994	730	3,354	4,084

11. Called up share capital

	Number of Shares	£'000
At 1st January and 31st December 1995 Authorised 25p – ordinary shares	243,400,000	60,850
Allotted, called up and fully paid	182,758,210	45,690

Options are outstanding as follows:

Date of grant	Number of shares	Subscription price
31st March 1988	425,808	70p
7th April 1989	79,939	120p
18th April 1990	106,452	138p
30th October 1990	55,355	96p
5th April 1991	130,936	86p
7th October 1991	150,000	68p
7th April 1994	106,452	89p
1st September 1994	1,296,143	56p
16th March 1995	302,083	72p
1st May 1995	435,656	56p
22nd August 1995	137,658	79p

Options granted prior to the 1991 Rights Issue have been adjusted both in terms of number of shares granted and the related subscription price. The options granted (contract start date) on 1st September 1994 and 1st May 1995 were in respect of the Company's Save As You Earn Scheme.

Under normal circumstances, options are not exercisable within three years nor after ten years of their date of grant.

12. Reserves

	Group		Company	
	Share premium £'000	Profit & loss £'000	Share premium £'000	Profit & loss £'000
At 1st January 1995	22,072	(18,452)	22,072	1,479
Prior year adjustment	–	6,740	–	–
As restated	22,072	(11,712)	22,072	1,479
Retained profit (loss) for the year	–	5,647	–	(1,228)
At 31st December 1995	**22,072**	**(6,065)**	**22,072**	**251**

The cumulative prior year adjustment of £6,740,000 relates to previous net unrealised gains and losses which have been transferred to the profit and loss account to reflect the change in accounting policy for investment gains and losses which were previously transferred to investment reserves and are now recognised in the non-technical account.

13. Technical provisions

	1995 £'000	Restated 1994 £'000
Underwriting funds carried forward		
1995 underwriting account (1994)	**28,880**	28,529
1994 underwriting account (1993)	**21,620**	19,118
Provision for claims on closed underwriting accounts	**95,474**	120,942
	145,974	168,589
Recoverable from reinsurers	**(65,454)**	(84,650)
	80,520	83,939

The provision for claims on closed underwriting accounts includes amounts relating to discontinued operations of: gross £74,094,000 (1994: £93,309,000); and net £18,381,000 (1994: £23,331,000).

There were no material movements in prior years claims provisions (1994: £7,500,000 adverse–discontinued operations).

14. Equalisation provision

	1995 £'000	1994 £'000
Transfer from technical account	**7,200**	–

15. Creditors

	1995 £'000	Restated 1994 £'000
Payable within one year:		
Arising out of direct insurance operations	**11,897**	10,775
Leasing creditors	**364**	120
	12,261	10,895
Payable after more than one year but less than five years:		
Leasing creditors	**464**	190
	12,725	11,085

16. Other creditors

	Group		Company	
	1995 £'000	1994 £'000	**1995** £'000	1994 £'000
Creditors	**–**	–	**3,126**	4,256
Proposed dividend	**2,559**	1,096	**2,559**	1,096
Taxation	**6,279**	1,026	**471**	–
	8,838	2,122	**6,156**	5,352

17. Reconciliation of movements in shareholders' funds

	Group		Company	
	1995 £'000	1994 £'000	**1995** £'000	1994 £'000
Profit (loss) for the financial year	**9,131**	(7,086)	**2,256**	1,422
Dividends	**(3,484)**	(1,836)	**(3,484)**	(1,836)
	5,647	(8,922)	**(1,228)**	(414)
Shares issued during the year	**–**	48	**–**	48
Other recognised gains and losses for the year	**–**	152	**–**	–
Net addition to shareholders' funds	**5,647**	(8,722)	**(1,228)**	(366)
Opening shareholders' funds	**56,050**	64,772	**69,241**	69,607
Closing shareholders' funds	**61,697**	56,050	**68,013**	69,241

18. Directors' remuneration

		1995 **£'000**	1994 £'000
(i)	Directors' remuneration		
	Salaries	**436**	130
	Fees	**92**	92
	Bonuses (note)	**172**	19
	Profit share	**24**	–
	Benefits in kind	**98**	47
	Pension contributions	**174**	84
		996	372

Note: At the discretion of the Board and based on the performance of the Group during the year.

(ii) The remuneration of the directors (including the chairman and highest paid director), excluding pension contributions, were within the following ranges:

	1995	1994
£0 to £5,000	**1**	1
£5,001 to £10,000	**3**	3
£10,001 to £15,000	**2**	2
£15,001 to £20,000	**2**	2
£115,001 to £120,000	**2**	–
£175,001 to £180,000	**1**	–
£195,001 to £200,000	**–**	1
£315,001 to £320,000	**1**	–

During 1995: 9 (1994: 8) Directors waived Directors' fees of £108,000 (1994: £107,971).

(iii) Executive directors

	Basic salary £'000	Bonus £'000	Profit share £'000	Benefits £'000	Pension contributions £'000	**1995 Total £'000**	1994 Total £'000
J. H. Bishop*	125	36	7	7	11	**186**	–
V. C. Jacob	143	88	7	80	130	**448**	280
L. D. C. Brunner*	84	24	5	6	17	**136**	–
G. J. Kent*	84	24	5	5	16	**134**	–
	436	172	24	98	174	**904**	280

*From date of appointment.

Directors' fees of £92,000 (1994: £92,029) were paid to the non-executive directors. Included in this amount were fees to the Chairman of £20,000 (1994: £20,000). No pension contributions were made on behalf of the Chairman.

19. Staff numbers and costs

The weekly average number of UK employees of the Group during 1995 was 486 (1994: 433), analysed as follows:

	1995	1994
Underwriting and risk management	**136**	126
Claims	**42**	38
Sales and business development	**81**	70
Information technology	**57**	48
Accounting & reinsurance	**32**	33
Administration	**72**	88
Related service subsidiaries	**66**	30
	486	433

Staff costs

	1995 £'000	1994 £'000
Wages and salaries	**12,824**	10,554
Social security costs	**1,195**	962
Pension costs	**1,912**	1,819
	15,931	13,335

20. Reconciliation of profit before taxation to net cash inflow from operating activities

	1995 £'000	1994 £'000
Profit (loss) before taxation	**17,332**	(6,192)
Depreciation	**3,176**	3,164
Loss (profit) on sale of fixed assets	**20**	(34)
(Profit) loss on sale of investments	**(7,243)**	1,727
Unrealised (gains) losses on investments	**(2,762)**	9,466
Decrease in debtors	**(10,614)**	(6,296)
Increase in creditors	**898**	2,588
Increase (decrease) in net technical provisions	**(3,429)**	9,998
Associated undertaking	**(1,751)**	(1,250)
Currency translation differences	**(620)**	(370)
Transfer to equalisation provision	**7,200**	–
Diminution in value of property	**8,000**	–
Net cash inflow from operating activities	**10,207**	12,801

21. Analysis of changes in cash and other liquid investments during the year

	Cash and cash equivalents £'000	Other liquid investments £'000	Total £'000
Balance at 1st January 1995	20,223	78,142	98,365
Net cash flow	18,348	–	18,348
Purchase of investments	–	1,336,987	1,336,987
Sale of investments	–	(1,350,566)	(1,350,566)
Change in market value	–	10,625	10,625
Balance at 31st December 1995	**38,571**	**75,188**	**113,759**

22. Analysis of the balances of cash and other liquid investments

	1995	1994	Change in year
	£'000	£'000	£'000
Cash at bank and in hand	**1,557**	4,362	(2,805)
Bank overdrafts	**-**	(1,052)	1,052
Short term deposits	**37,014**	16,913	20,101
	38,571	20,223	18,348
Other liquid investments	**75,188**	78,142	(2,954)
	113,759	98,365	15,394

23. Subsidiary and associated undertakings

The Company holds ordinary shares in the following principal subsidiary and associated undertakings.

Subsidiaries	% held	Country in which registered
Trade Indemnity plc	100	England & Wales
Trade Indemnity Australia Limited	100	Australia
Trade Indemnity New Zealand Limited	100	New Zealand
Trade Indemnity Collections Limited	100	England & Wales
Trade Indemnity Credit Corporation Limited	100	England & Wales
Trade Indemnity Risk Services Limited	100	England & Wales
Associate		
Trade Indemnity-Heller Commercial Finance Limited	50	England & Wales

24. Auditors' remuneration

Auditors' remuneration in respect of audit services to the Group amounting to £90,000 (1994: £79,500) has been charged to expenses during the year. The amounts charged in respect of audit services to the Company were £5,000 (1994: £5,000).

Auditors' remuneration for non-audit services to the Group during the year was £96,451 (1994: £99,575). No non-audit services were provided to the Company (1994: £nil).

25. Pensions costs

The Group operates pension schemes of the defined benefit type in the UK and Australia, and of the defined contribution type in Canada.

The total pension cost for the Group was £2,271,000 (1994: £2,031,000) of which £354,000 (1994: £298,000) relates to the overseas schemes. The costs relating to the UK funded schemes which cover 98% of the UK employees are assessed in accordance with the advice of a qualified actuary using the Projected Unit Method.

The latest actuarial valuation of the UK Scheme was 1st July 1994. The most significant assumptions were that investment return would be 8.5% and the salary increases would be 7.0% p.a. and that the rate of discretionary increase on present and future pensions would be 3.0% p.a.

In his valuation at 1st July 1994, the Actuary stated that the actuarial value of the assets of the scheme would be £25,530,000 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 remaining working lifetimes of the existing membership.

Directors' Responsibilities

in respect of the preparation of financial statements

The Directors are required by UK Company law 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 year and of the profit or loss of the Company for that period.

The Directors confirm that suitable accounting policies have been used and, except for the changes in policies referred to on page 29 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 31st December 1995. 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the members of the Company

We have audited the financial statements on pages 23 to 39.

Respective responsibilities of directors and auditors As described above the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

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.

Opinion In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31st December 1995 and of the Group's 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.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants & Registered Auditors

London **27th March 1996**

Five Year Performance

	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000
Premium Income					
Direct	**140,398**	127,709	116,415	117,868	113,248
Indirect treaty business	**6,485**	5,833	7,883	7,558	7,968
Total UK	**146,883**	133,542	124,298	125,426	121,216
Australia	**18,486**	18,244	18,316	19,663	16,246
Canada	**3,981**	2,793	2,393	2,064	1,411
Gross premium income	**169,350**	154,579	145,007	147,153	138,873
Balance on the technical account	**9,518**	(1,146)	1,712	(2,237)	(24,029)
Provision for open years	**–**	–	–	(11,248)	(26,582)
Investment income	**14,286**	6,695	5,839	8,933	6,332
Unrealised gains on investments	**2,762**	–	–	–	–
Unrealised (losses) on investments	**–**	(9,466)	–	–	–
Investment expenses and charges	**(233)**	(1,887)	–	–	–
Profit of related services subsidiaries	**1,223**	729	681	307	613
Associated undertaking	**1,751**	1,250	1,002	900	33
Diminution in value of property	**(8,000)**	–	–	–	–
Other charges	**(3,975)**	(2,367)	(2,171)	(1,549)	(1,972)
Exceptional expenses	**–**	–	(1,000)	–	(828)
Interest payable	**–**	–	–	–	(124)
Employee share scheme	**–**	–	(232)	–	–
Taxation	**(8,201)**	(894)	2,378	3,059	7,884
Profit (loss) after taxation	**9,131**	(7,086)	8,209	(1,835)	(38,673)
Dividends	**(3,484)**	(1,836)	(913)	–	–
Transfer to (from) profit and loss account	**5,647**	(8,922)	7,296	(1,835)	(38,673)
Shareholders' funds at 31st December	**61,697**	56,050	64,772	51,343	49,625
Issued share capital	**45,690**	45,690	45,673	45,673	45,673
Earnings (loss) per share	**5.0p**	(3.9)p	4.5p	(1.0)p	(26.3)p
Dividends per share	**1.9p**	1.0p	0.5p	Nil	Nil

The 1993 and prior years figures have not been restated to reflect the current accounting policies.

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