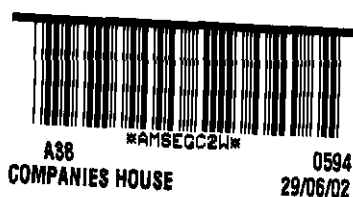


EULER Holdings UK PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001



**1 Canada Square
London E14 5DX**

Company Number 2337940

EULER Holdings UK PLC

Year Ended 31 December 2001

<u>CONTENTS</u>	<u>PAGE</u>
Directors & Officers	1
Report of the Directors	2 - 4
Directors' Responsibilities	5
Independent Auditors' Report	6 - 7
Consolidated Profit and Loss Account - Technical	8 - 9
Consolidated Profit and Loss Account - Non-Technical	9 - 10
Consolidated Balance Sheet - Assets	11
Consolidated Balance Sheet - Liabilities	12
Company Balance Sheet	13
Accounting Policies	14 – 18
Notes to the Financial Statements	18 – 28

EULER Holdings UK PLC

DIRECTORS & OFFICERS

Year Ended 31 December 2001

DIRECTORS:

R J Benzies
J L E A Auvinet
M R Renard

Chief Executive

SECRETARY:

D D Dhanoo

AUDITORS:

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

REGISTERED OFFICE:

1 Canada Square
London E14 5DX

EULER Holdings UK PLC

REPORT OF THE DIRECTORS **Year Ended 31 December 2001**

The Directors present their report together with the audited financial statements of the Group for the year ended 31 December 2001.

Principal Activity

The Company is a holding company for subsidiaries offering credit insurance and credit management services, both in the United Kingdom and overseas.

Review of the Business and Future Developments

The results for the year are set out in the non-technical account on pages 9 and 10. A loss of £16,191,000 was recorded in the year due to higher than expected claims. This has led to a tightening of the risk monitoring which should reduce these in future. The Directors envisage the Group continuing in the same trade for the foreseeable future.

As disclosed in note 1(h) on page 19 the operations of EULER & HERMES International Limited ("E&HI") have been discontinued on 1 January 2002. The policies have been novated to other EULER Group Business Units ("EGBU's") including EULER Trade Indemnity plc.

Tangible Assets

The changes in tangible assets are detailed in note 7 to the financial statements.

Dividends and Transfer to Reserves

The Directors do not recommend payment of a final dividend (2000: 1.8739p per share, costing £3,770,976), leaving retained losses for the year of £16,191,000 (2000: profits of £1,720,000).

EULER Holdings UK PLC

REPORT OF THE DIRECTORS (Cont'd) Year Ended 31 December 2001

Directors

The following served as Directors during the year:

F J M Y Aurillac	Resigned 9 May 2001
J L E A Auvinet	Appointed 25 September 2001
R J Benzies	
A L Brend	Resigned 26 September 2001
L D C Brunner	Resigned 9 May 2001
Y de Gaulle	Resigned 2 March 2001
J E Lanier	Resigned 26 September 2001
K W Morris	Appointed 25 September 2001 / Resigned 30 November 2001
D G Perry	Resigned 26 September 2001
M R Renard	Appointed 25 September 2001
R C Snedden	Resigned 26 September 2001

Directors' Interests

The following interests in the share capital of the Company are declared by Directors in service during 2001:

The Trade Indemnity 1997 Executive Share Option Scheme

The options granted under The Trade Indemnity 1997 Executive Share Option Scheme are for shares in EULER Holdings UK PLC.

Director	Number of Options		Grant Price	Date When Exercisable	Expiry Date
	01.01.01	31.12.01			
R J Benzies	128,627	128,627	£0.64	13.10.00	12.10.04
	105,856	105,856	£0.76	06.11.01	05.11.05

Employees

The Group was awarded Investors in People in 1999 and was recognised in September 2001 as continuing to meet the requirements of the national standard. This demonstrates the value placed on our employees and the excellence of the training and development that they receive to ensure that their skills meet the needs of our customers and the aspirations of our employees.

Bi-annual company wide briefing sessions are held to communicate to all employees the business strategy, plan, objectives and performance of the company and group. Quarterly update meetings are held with senior managers who then cascade the communication down to their teams.

EULER Holdings UK PLC

REPORT OF THE DIRECTORS (Cont'd) **Year Ended 31 December 2001**

The Group operates an Equal Opportunities policy aimed at ensuring that every applicant and employee receives at all times and in all aspects of their employment, equal consideration and treatment irrespective of their sex, race, colour, creed, national or ethnic origin, marital status, age, responsibility for children or dependants, sexual orientation, gender reassignment, religious or political beliefs, trade union activities or disability.

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

Policy and practice on payment of creditors

It is Group 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 Group is a signatory to the CBI Code of Practice on Prompt Payment, a copy of which can be obtained from the DTI Publications, Admail 528, London SW1 8YT.

Suppliers are paid centrally by EULER Trade Indemnity plc and the Directors believe it would be helpful to give the disclosures on a Group basis. Trade creditor days of the Group for the year ended 31 December 2001 were 11 days (2000: 6 days).

Donations

During the year, the Group made charitable donations of £7,565 (2000: £5,353). No political donations were made.

Introduction of the Euro

The Group has completed all the necessary formalities to transact business in the Euro which was successfully launched to replace legal currencies at the beginning of 2002 in the twelve eurozone countries. The Group is capable of accepting business opportunities arising from the new currency notwithstanding the UK's position to remain outside the Euro.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the annual general meeting.

By Order of the Board



D D Dhanoo

Secretary

Dated:21.MAR.2002.....

EULER Holdings UK PLC

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company Law requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group at the end of the year and of the profit or loss for the year. In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements, except for the change in accounting policy detailed on page 14.

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 Group and that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of financial information on the Group's website is the responsibility of the Directors. Information published on the Internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

EULER Holdings UK PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMPANY

We have audited the Financial Statements which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet and the related notes which have been prepared in accordance with the Accounting Policies set out in the Statement of Accounting Policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom Law and Accounting Standards are set out in the Directors' Responsibilities Statement.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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 the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. The other information comprises only the Report of the Directors.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

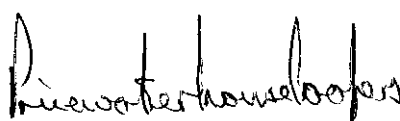
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity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

EULER Holdings UK PLC

INDEPENDENT AUDITORS' REPORT (Cont'd) Year Ended 31 December 2001

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
London

Dated: 28 March 2002

EULER Holdings UK PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year Ended 31 December 2001

TECHNICAL ACCOUNT GENERAL BUSINESS	Notes	2001 £'000	Restated 2000 £'000
Gross premiums written	1(e)		
Continuing operations		158,036	149,379
Discontinued operations		34,112	11,374
Outwards reinsurance premiums			
Continuing operations		(78,826)	(73,056)
Discontinued operations		(18,248)	(5,789)
Net premiums written		95,074	81,908
Change in gross provision for unearned premiums			
Continuing operations		3,350	2,807
Discontinued operations		(829)	(3,283)
Change in provision for unearned premiums, reinsurers' share			
Continuing operations		(2,857)	(79)
Discontinued operations		438	1,725
Change in net provision for unearned premiums		102	1,170
Earned premiums, net of reinsurance		95,176	83,078
Other technical income- information charges			
Continuing operations		4,102	5,982
Discontinued operations		630	313
		4,732	6,295
		99,908	89,373
Gross claims paid			
Continuing operations		(95,687)	(77,062)
Discontinued operations		(13,846)	(3,120)
Reinsurers' share			
Continuing operations		43,550	31,374
Discontinued operations		7,483	1,974
Net claims paid		(58,500)	(46,834)

EULER Holdings UK PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year Ended 31 December 2001

Technical Account (cont'd)		Restated	
	Notes	2001 £'000	2000 £'000
Change in gross provision for claims			
Continuing operations		(6,632)	2,167
Discontinued operations		(8,178)	46,870
Reinsurers' share			
Continuing operations		4,082	(2,328)
Discontinued operations		2,826	(38,835)
Change in net provision for claims		<u>(7,902)</u>	<u>7,874</u>
Claims incurred, net of reinsurance		(66,402)	(38,960)
Net operating expenses	2		
Continuing operations		(47,225)	(46,641)
Discontinued operations		(8,066)	(5,179)
		<u>(55,291)</u>	<u>(51,820)</u>
Balance on the Profit and Loss Account - Technical		<u>(21,785)</u>	<u>(1,407)</u>
Non-Technical Account			
Balance on the Technical Account		(21,785)	(1,407)
Investment income			
Continued operations		6,494	7,333
Discontinued operations		893	983
Unrealised gains on investments			
Continuing operations		-	2,641
Discontinued operations		16	-
Investment expenses and charges			
Continuing operations		(200)	(160)
Discontinued operations		(16)	(16)
Losses on the realisation of investments			
Continuing operations		(1,802)	-
Discontinued operations		-	(235)
Unrealised losses on investments			
Continuing operations		(9,166)	(4,141)
Discontinued operations		(35)	226
		<u>(3,816)</u>	<u>6,631</u>
Share of associated undertaking's profit		-	168

EULER Holdings UK PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year Ended 31 December 2001

Non-Technical Account (cont'd)

	<u>Notes</u>	<u>2001</u> £'000	<u>Restated</u> <u>2000</u> £'000
Other income			
Continuing operations		5,553	4,959
Discontinued operations		266	-
		<u>5,819</u>	<u>4,959</u>
		(19,782)	10,351
Other charges			
Continuing operations		(4,410)	(3,920)
Discontinued operations		-	-
		<u>(4,410)</u>	<u>(3,920)</u>
Loss/ Profit on ordinary activities before taxation	1		
Continuing operations		(21,638)	(745)
Discontinued operations		(2,554)	7,176
		<u>(24,192)</u>	<u>6,431</u>
Profit on disposal of associated undertaking		-	305
		<u>(24,192)</u>	<u>6,736</u>
Tax on (loss)/ profit on ordinary activities	3	<u>8,001</u>	<u>(1,245)</u>
(Loss)/ Profit on ordinary activities for the financial year		(16,191)	5,491
Dividend		-	(3,771)
Retained (loss)/ profit for the year		<u>(16,191)</u>	<u>1,720</u>
Retained profit brought forward		21,036	19,316
Retained profit carried forward		<u>4,845</u>	<u>21,036</u>

There are no recognised gains and losses other than the retained (losses)/profits stated above.

EULER Holdings UK PLC

CONSOLIDATED BALANCE SHEET Year Ended 31 December 2001

	<u>Notes</u>	<u>2001</u> £'000	<u>Restated</u> <u>2000</u> £'000
ASSETS			
Investments			
Other financial investments	4	141,241	175,545
Reinsurers' share of technical provisions			
Provision for unearned premiums		20,044	24,328
Claims outstanding		56,172	50,824
		76,216	75,152
Debtors			
Debtors arising out of direct insurance operations:			
-policyholders		16,931	12,026
-intermediaries		56,451	44,452
Debtors arising out of reinsurance operations		8,019	4,070
Other debtors	6	17,473	20,725
		98,874	81,273
Other assets			
Tangible assets	7	5,541	6,024
Cash at bank and in hand		13,716	6,190
		19,257	12,214
Prepayments and accrued income			
Accrued interest		-	145
Deferred acquisition costs		13,594	10,620
Other prepayments		108	1,372
		13,702	12,137
TOTAL ASSETS		<u>349,290</u>	<u>356,321</u>

EULER Holdings UK PLC

CONSOLIDATED BALANCE SHEET (Cont'd) Year Ended 31 December 2001

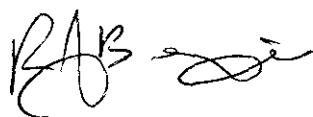
	Notes	2001 £'000	Restated 2000 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	8	50,461	50,308
Share premium account	9(a)	36,603	36,364
Profit and loss account	9(b)	4,845	21,036
Shareholders' funds attributable to equity interests	10	91,909	107,708
Technical provisions			
Provision for unearned premiums		51,166	55,552
Claims outstanding		142,647	128,796
		193,813	184,348
Provision for other charges - deferred tax	11	-	2,429
Creditors			
Creditors arising out of direct insurance operations		17,371	8,378
Creditors arising out of reinsurance operations		18,908	15,249
Other creditors	12	9,606	19,160
		45,885	42,787
Accruals and deferred income			
Unearned reinsurance commission		7,946	9,159
Other accruals		9,737	9,890
		17,683	19,049
TOTAL LIABILITIES		<u>349,290</u>	<u>356,321</u>

EULER Holdings UK PLC

COMPANY BALANCE SHEET Year Ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	5	73,875	78,864
Current assets			
Amounts owed by Group undertakings		8,108	8,147
Other debtors		2,110	3,881
Cash at bank		4	4
		10,222	12,032
Creditors: amounts due within one year			
Other creditors	13	(6)	(3,776)
		<u>84,091</u>	<u>87,120</u>
Capital and reserves			
Share capital	8	50,461	50,308
Share premium account	9(a)	36,603	36,364
Profit and loss account	9(b)	(2,973)	448
	10	<u>84,091</u>	<u>87,120</u>

Approved by the Board of Directors.



R J Benzies
Chief Executive



M R Renard
Director

Dated: **21 MAR 2002**

Dated: **21 MAR 2002**

EULER Holdings UK PLC

ACCOUNTING POLICIES

Year Ended 31 December 2001

Basis of Preparation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year.

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

The balance sheet of the holding company has 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.

Changes in Accounting Policy

The transitional disclosures required under FRS 17 "Retirement Benefits" have been presented in note 19. These disclosures are presented in addition to the requirements under the existing standard. The full provisions of the new standard are not required to be implemented until the 31 December 2003 year-end.

FRS 18 "accounting policies" has been adopted and all accounting policies have been reviewed and are considered to be the most appropriate to the Group's particular circumstance. This did not require any change in accounting policy.

Salvage

Prior year comparatives have been restated in order to comply with the ABI SORP in respect of salvage disclosure. This has resulted in restatement of the salvage reserve and other debtors, as salvage of £9,799,000 has been reclassified. The reinsurance on this salvage of £3,908,000 has resulted in restatement of reinsurers share of salvage reserve and other creditors. There has been no change in net assets as a result of this.

Basis of Accounting

The Group accounts for its insurance business on an annual basis.

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

EULER Holdings UK PLC

ACCOUNTING POLICIES

Year Ended 31 December 2001

The risk covered under the policy relates to the non-payment of debtor balances arising from the supply of goods or services by the insured. The risk incidence is defined as the date of shipment or the supply of service. Only shipments made or services supplied within the policy dates are covered under the policy and so the premium is earned over the term of the policy. There is no marked unevenness in the insured turnover and so this premium is earned evenly over the period of the policy.

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

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

Claims Provisions and related Salvage and Reinsurance Recoveries

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the credit rating of buyers which may result in cover being reduced on those buyers who are perceived to be a higher risk
- the effects of inflation
- the impact of large losses

A component of these estimation techniques is usually the estimation of cost of notified but not paid claims. In estimating the cost of these the Group has regard to the claim circumstance as reported, any information available from liquidators and information on the cost of settling claims with similar characteristics in previous periods.

EULER Holdings UK PLC

ACCOUNTING POLICIES

Year Ended 31 December 2001

Where possible the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assists in setting the range of possible outcomes.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The estimate of related salvage recoveries is made using the same technique above. Anticipated salvage recoveries at the year end are included within other debtors.

Unexpired Risk Provision

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

Interest in Subsidiary Undertakings

Shares in subsidiary undertakings are stated in the parent company balance sheet at cost less any permanent diminution in value.

Translation of Currency

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the Balance Sheet date. Transactions are translated at the actual rate on the date of the transactions. All differences on exchange are dealt with through the Profit and Loss Account - Non-Technical.

Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the Profit and Loss Account. All other leases are operating leases and the annual rentals, net of any incentives, are charged to operating profit on a straight line basis over the lease term.

EULER Holdings UK PLC

ACCOUNTING POLICIES

Year Ended 31 December 2001

Tangible Assets

Expenditure incurred in the provision of equipment, motor vehicles and tenants improvements is written off on a straight line basis over their estimated useful lives as follows:

Motor Vehicles	-	4 years
Equipment	-	4 years
Tenants Improvements	-	5 to 10 years

Investments

Listed investments are shown at market value. Unlisted investments are shown at Directors' valuation.

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

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

Unrealised gains and losses represent the difference between the valuation of investments at the Balance Sheet date and their valuation at the last Balance Sheet date or purchase price if purchased in the year.

Equalisation Provision

Where applicable, an equalisation provision is established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995 and the Insurance Companies (Reserves) Regulations 1996 in relation to credit business to mitigate exceptionally high claims' ratios for classes of business displaying a high degree of claims volatility.

Deferred 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 Costs

The Group operates a defined benefits pension scheme. The fund is valued every three years by the actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS Year Ended 31 December 2001

The Accounting Standards Board issued FRS 17 "Retirement benefits" in November 2000. This standard will not be mandatory for the Company until the year ended 31 December 2003. The Group has adopted the required transitional disclosure provisions.

1. (Loss)/ Profit before taxation	<u>2001</u> £'000	<u>2000</u> £'000
(Loss)/ Profit before taxation is stated after charging/(crediting):		
(a) Depreciation	4,557	4,103
(b) Profit on disposal of fixed assets	(144)	(65)
(c) Finance lease charges	214	151
(d) Operating lease rentals – plant and machinery	3,152	2,421
– land and buildings	<u>2,267</u>	<u>1,278</u>
(e) Segmental reporting:		

All of the Group's business relates to credit risk insurance. The segmental analysis of the Group's profits, gross written premium and net assets by geographical area of origin is not given, as substantially all of the company's policies are concluded in the UK. Analysis of gross written premium by geographical area of destination is as follows:

	<u>2001</u> £'000	<u>Restated</u> <u>2000</u> £'000
Gross Written Premiums		
United Kingdom:		
Continuing operations	158,036	149,379
Discontinued operations	8,017	4,717
Europe – discontinued operations	3,262	1,254
Far East - discontinued operations	576	1,899
America and Canada – discontinued operations	21,211	3,091
Other – discontinued operations	<u>1,046</u>	<u>413</u>
	<u>192,148</u>	<u>160,753</u>

(f) Prior years' claims provisions

A positive run-off deviation including discontinued operations of £11,179,626 (2000: £60,377,000), net of related reinsurance of £1,707,747 (2000: £44,615,000) was experienced during the year.

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

(g) Discontinued Operations – Special Underwriting Unit

In December 1991 the Group's Special Underwriting Unit which underwrote specialist insurance products was closed and placed into run-off. This was accounted for as a discontinued operation. During the year the Group commuted a significant contract in this portfolio which resulted in a reduction in outstanding claims provisions of £7,220,000 and related reinsurance of £5,867,000, resulting in a profit of £1,353,000.

(h) Discontinued Operations - EULER & HERMES International Limited

The Group no longer writes worldwide policies for single multi-national clients. With effect from 1 January 2002 policies for such clients will be apportioned to individual EULER subsidiaries including ETI plc. The results of E&HI for the year ended 31 December 2001 have been disclosed as discontinued operations. Exposures on existing policies as at 1 January 2002 will be novated to other EGBU's.

2. Net operating expenses	<u>2001</u>	<u>2000</u>
	£'000	£'000
Net operating expenses comprise:		
Acquisition costs	(45,552)	(30,557)
Change in deferred acquisition costs	3,789	412
Administrative expenses	(46,212)	(44,973)
Reinsurance commission	32,684	23,298
	<u>(55,291)</u>	<u>(51,820)</u>
3. Taxation	<u>2001</u>	<u>2000</u>
	£'000	£'000
Taxation credit / (charge) comprises:		
Current Tax:		
UK Corporation tax credit / (charge) at 30% (2000: 30%)	3,710	(3,486)
Adjustment in respect of previous periods	1,862	470
Total current tax	5,572	(3,016)
Deferred taxation (note 11)	2,429	1,771
	<u>8,001</u>	<u>(1,245)</u>

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

4. Other financial investments - Group	Market Value		Cost	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£'000	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts	34,132	96,745	35,550	88,449
Debt securities and other fixed income Securities	66,190	52,929	67,261	52,696
Deposits with credit institutions	40,919	25,871	40,891	25,863
	<u>141,241</u>	<u>175,545</u>	<u>143,702</u>	<u>167,008</u>

Listed investments included in market values above are as follows:

	<u>2001</u>	<u>2000</u>
	£'000	£'000
Shares and other variable yield securities and units in unit trusts	34,132	96,745
Debt securities and other fixed income securities	54,427	34,763
	<u>88,559</u>	<u>131,508</u>

5. Investments – Company	<u>2001</u>	<u>2000</u>
	£'000	£'000
Investment in subsidiaries	<u>73,875</u>	<u>78,864</u>
6. Other debtors	<u>2001</u>	<u>Restated</u> <u>2000</u>
	£'000	£'000
Salvage recoverables	11,449	10,831
Amounts due from Group undertakings	746	3,714
Taxation	1,777	4,384
Sundry debtors	3,501	1,796
	<u>17,473</u>	<u>20,725</u>

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

7. Tangible assets - Group

Tangible assets comprise:	<u>Motor Vehicles</u> £'000	<u>Equipment</u> £'000	<u>Tenants Improvements</u> £'000	<u>Total</u> £'000
Cost at 01.01.01	1,882	12,448	4,273	18,603
Additions	817	3,451	-	4,268
Disposals	(708)	(2,822)	(211)	(3,741)
Cost at 31.12.01	<u>1,991</u>	<u>13,077</u>	<u>4,062</u>	<u>19,130</u>
Depreciation at 01.01.01	887	9,051	2,641	12,579
Disposals	(471)	(2,864)	(212)	(3,547)
Charge for year	633	3,521	403	4,557
Depreciation at 31.12.01	<u>1,049</u>	<u>9,708</u>	<u>2,832</u>	<u>13,589</u>
Net Book Value at 31.12.01	<u>942</u>	<u>3,369</u>	<u>1,230</u>	<u>5,541</u>
Net Book Value at 31.12.00	<u>995</u>	<u>3,397</u>	<u>1,632</u>	<u>6,024</u>

Assets held under finance leases of £1,991,000 (2000: £1,882,000) are included in motor vehicles. Accumulated depreciation on leased assets was £1,049,000 (2000: £887,000). Depreciation on leased assets of £633,000 (2000: £343,000) has been charged in the year.

8. Called up share capital

<u>Authorised 25p – ordinary shares</u>	<u>Number of Shares</u>	<u>£'000</u>
At 01.01.01 and 31.12.01	243,400,000	60,850
<u>Allotted, called up and fully paid</u>		
At 01.01.01	201,231,941	50,308
Shares issued in year	613,739	153
At 31.12.01	<u>201,845,680</u>	<u>50,461</u>

Share options for 613,739 ordinary shares were exercised at the option price of 64p during the year. A premium of 39p has been recognised.

No options were granted under the Trade Indemnity 1997 Executive Share Option Scheme during the year (2000: Nil).

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

9.a) Share premium

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£'000	£'000	£'000	£'000
At 1 January	36,364	36,305	36,364	36,305
Share issue in Year	239	59	239	59
At 31 December	<u>36,603</u>	<u>36,364</u>	<u>36,603</u>	<u>36,364</u>

9.b) Profit and loss reserve

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£'000	£'000	£'000	£'000
As at 1 January	21,036	19,316	448	1,411
Retained (loss)/ profit for the year	(16,191)	1,720	(3,421)	(963)
At 31 December	<u>4,845</u>	<u>21,036</u>	<u>(2,973)</u>	<u>448</u>

10. Reconciliation of movements in Shareholders' funds

	<u>Group</u>		<u>Company</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£'000	£'000	£'000	£'000
(Loss)/ Profit for the financial year	(16,191)	5,491	1,568	2,808
Dividends	-	(3,771)	-	(3,771)
	<u>(16,191)</u>	<u>1,720</u>	<u>1,568</u>	<u>(963)</u>
Shares issued during the year	392	93	392	93
Net addition to shareholders' funds	<u>(15,799)</u>	<u>1,813</u>	<u>1,960</u>	<u>(870)</u>
Opening shareholders' funds	107,708	105,895	87,120	87,990
Closing shareholders' funds	<u>91,909</u>	<u>107,708</u>	<u>89,080</u>	<u>87,120</u>

11. Deferred taxation

	<u>2001</u>	<u>2000</u>
	£'000	£'000
At 1 January	2,429	4,200
(Credit) in year	<u>(2,429)</u>	<u>(1,771)</u>
Closing provision at 31 December	<u>-</u>	<u>2,429</u>

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

11. Deferred Taxation (cont'd)

The potential deferred taxation asset which has not been recognised in the accounts comprised:

	<u>2001</u> £'000	<u>2000</u> £'000
Unrealised loss/(gain) on investments	435	(2,421)
Other short-term timing differences	2,412	1,094
	<u>2,847</u>	<u>(1,327)</u>

12. Other creditors - Group

	<u>2001</u> £'000	<u>Restated</u> <u>2000</u> £'000
Payable within one year:		
Amounts due to Group undertakings	-	398
Proposed dividends	-	3,771
Other creditors including taxation and social security	4,158	10,005
Reinsurers share of salvage recoverables	4,103	3,908
Finance lease creditors	638	411
	<u>8,899</u>	<u>18,493</u>

Payable after more than one year but less than five years:

Finance lease creditors	<u>707</u>	<u>667</u>
	<u>9,606</u>	<u>19,160</u>

13. Other creditors - Company

	<u>2001</u> £'000	<u>2000</u> £'000
Payable within one year:		
Sundry creditors	6	5
Proposed dividend	-	3,771
	<u>6</u>	<u>3,776</u>

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

14. Directors' remuneration

	<u>2001</u>	<u>2000</u>
	£'000	£'000
Directors' emoluments comprise:		
Emoluments	611	535
Compensation to past director for loss of office	223	-
Pension contributions	65	35
	<u>899</u>	<u>570</u>

The highest paid Director's emoluments including pension contributions were £212,254 (2000: £252,000). The accrued pension entitlement of the highest paid Director at 31 December 2001 was £24,499 (2000: £21,463). Two Directors are members of the Company Defined Benefit Pension Scheme and benefits accrued to them during 2001 under that Scheme amounted to £39,066 (2000: £32,420).

15. Staff numbers and costs

The monthly average number of employees of the Group during 2001 was 586 (2000: 522), analysed as follows:

<u>Average number of staff</u>	<u>2001</u>	<u>2000</u>
Underwriting	165	200
Claims	28	28
Administrative	394	294
	<u>587</u>	<u>522</u>
<u>Staff Costs</u>		
	<u>2001</u>	<u>2000</u>
	£'000	£'000
Wages and salaries	22,678	18,445
Social security costs	1,878	1,610
Other pension costs	2,961	2,835
	<u>27,517</u>	<u>22,890</u>

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

16. Subsidiary and associated undertakings

Subsidiaries	% held	Country in which Registered	Principal Activity
EULER Trade Indemnity plc	100	England & Wales	Credit Insurance
EULER Trade Indemnity Collections Ltd	100	England & Wales	Debt Collection
EULER Trade Indemnity Risk Services Ltd	100	England & Wales	Credit Analysis & Reporting Service
EULER & HERMES International Ltd	100	England & Wales	Credit Insurance

Dormant and immaterial subsidiary companies are not included above.

17. Auditors' remuneration

Auditors' remuneration in respect of audit services amounting to £215,917 (2000: £264,787) has been charged to expenses during the year.

Auditors' remuneration for non-audit services during the year was £240,912 (2000: £204,991).

18. Related Party Transactions

The Company is a wholly owned subsidiary and has taken advantage of the exemptions under Financial Reporting Standard No. 8 of disclosing transactions with Group entities.

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

19. Pension Obligations

The Group operates a funded scheme of the defined benefit type with assets held in trustee-administered funds.

The most recent actuarial valuation of the Scheme was at 30 June 1999. The valuation used the projected unit method and was carried out by a qualified independent actuary. The principal assumptions made by the actuaries are shown below.

At the relevant date of the most recent actuarial assessments, the market values of the Scheme's assets totalled £50.0m and the actuarial value of those assets represented 101% of the benefits accrued to members after allowing for expected future increases in earnings.

The total contributions charged to the profit and loss account for the year ended 31 December 2001 amounted to £2,961,000 (2000: £2,835,000).

Disclosures Required Under FRS 17 "Retirement Benefits"

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation, using the projected unit method, at 30 June 1999 and updated to consider the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2001. Scheme assets are stated at their market value at 31 December 2001. The principal assumptions used were:

	<u>2001</u>
Rate of increase in salaries	3.00%
Rate of increase of pensions in payment	2.50%*
Discount rate	6.00%*
Inflation assumption	2.50%*

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

The assets in the scheme and the expected rate of return were:

	<u>Long-term rate of return expected at 2001</u>	<u>Value at 2001 £'000</u>
Equities	8%*	41,208
Bonds	5%*	8,297
Cash	4%*	504
Total market value of assets		<u>50,009</u>
Present value of scheme liabilities		<u>(49,683)</u>
Surplus in the scheme		326
Related deferred tax liability		<u>(98)</u>
Net pension asset		<u><u>228</u></u>

(* assumption provided by qualified, independent actuary)

Assets

	<u>2001 £'000</u>
Net assets excluding pension asset	91,909
Pension asset	228
Net assets including pension asset	<u><u>92,137</u></u>

Reserves

	<u>2001 £'000</u>
Profit and loss reserve excluding pension asset	4,845
Pension reserve	228
Profit and loss reserve	<u><u>5,073</u></u>

The Group also operates a defined contribution scheme for new joiners which began in October 2001 the costs for the period are as follows:

	<u>2001 £000s</u>	<u>2000 £000s</u>
Cost for the period	3	-
Outstanding contributions	-	-

EULER Holdings UK PLC

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) Year Ended 31 December 2001

20. Operating lease commitments

Annual commitments of the Group under non-cancellable operating leases are as follows:

	<u>Land and Buildings</u>		<u>Other</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	£'000	£'000	£'000	£'000
Leases which expire:				
within 1 year	76	-	711	3,152
within 2 - 5 years	-	97	-	-
after 5 years	2,673	1,372	-	-
	<u>2,749</u>	<u>1,469</u>	<u>711</u>	<u>3,152</u>

21. The holding company

The holding company at 31 December 2001 was EULER S.A. which is incorporated and registered in France, copies of whose consolidated financial statements can be obtained from 1 Canada Square, London E14 5DX.

The ultimate holding company at 31 December 2001 was Allianz A.G., which is incorporated and registered in Germany, copies of whose consolidated financial statements can be obtained from Königinstraße 28, 80802 München, Germany.