

PET PLAN LIMITED**DIRECTORS' REPORT**

Directors: G R Stratford (Chairman)
R C Barrett
D G Bishop
J Johnson
D J Simpson

Secretary: C J Kiddle Morris

Registered Office: 32 Cornhill, London EC3V 3LJ

Registered No: 1282939

The Directors present their Report for the year ended December 31, 2000.

ACCOUNTS

The Directors submit the audited accounts of the Company for the year ended December 31, 2000. The results for the year are shown in the Profit and Loss Account on page 5.

ACTIVITIES

The principal activity of the Company is a sales and administration company for pet and related insurance.

DIVIDEND

The Directors are not recommending the payment of a final dividend in respect of the ordinary shares.

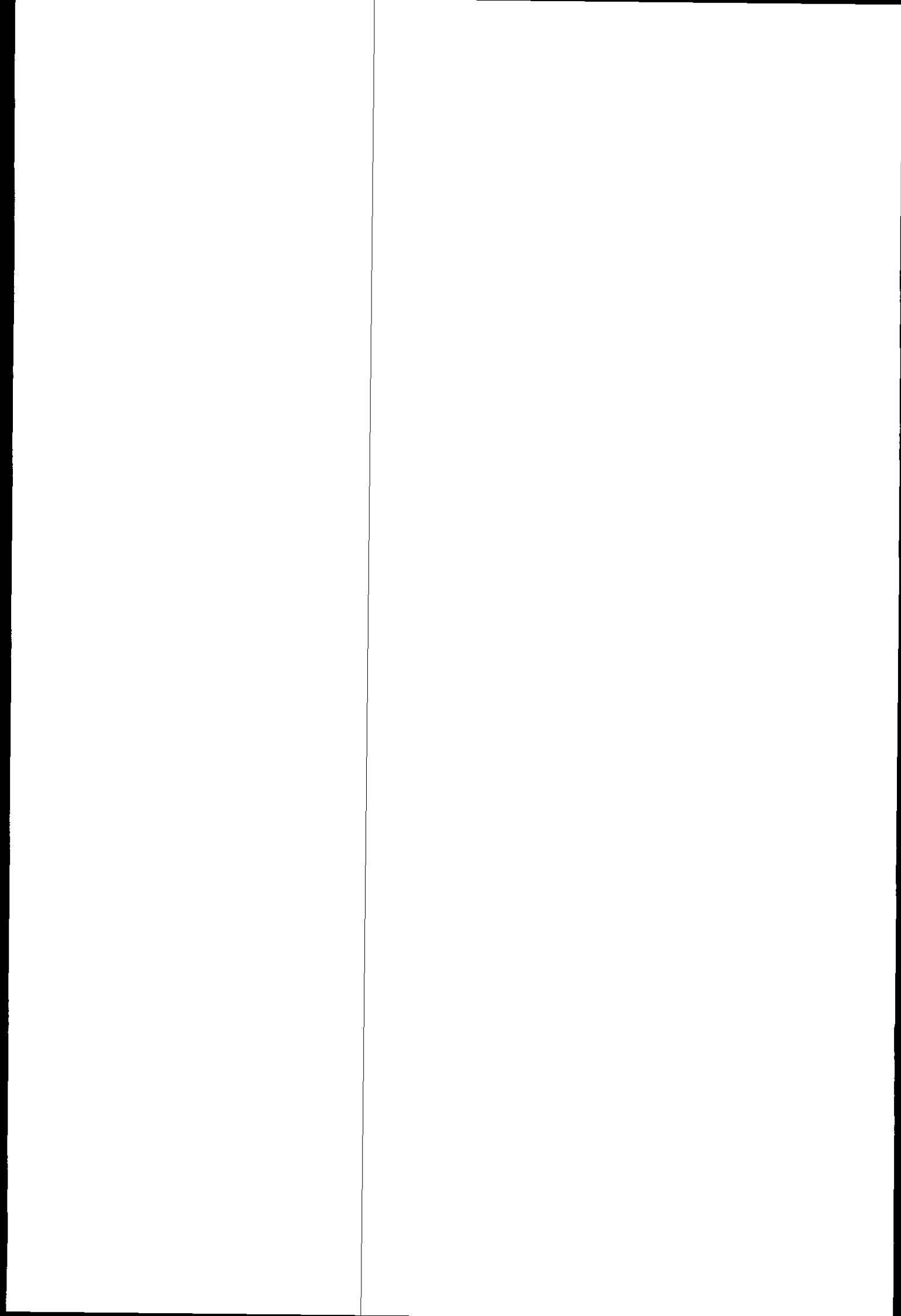
DIRECTORS

The Directors shown above served as Directors throughout the year.

SUPPLIERS

It is the policy of the Company to make known to and agree terms of payment with its suppliers when entering into transactions with them and to keep to those terms. Payment practice is 5 days (1999 10 days) calculated in accordance with the statutory regulations.





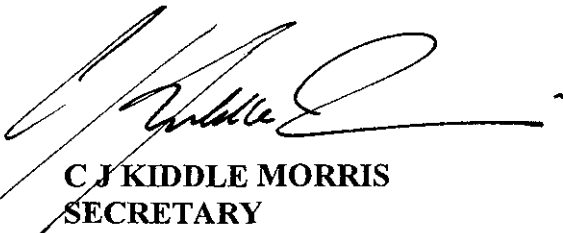
PET PLAN LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS**

ELECTIVE REGIME

In accordance with Section 379A of the Companies Act 1985 the Company has passed a resolution to dispense with the obligations to hold an Annual General Meeting, to lay Reports and Accounts before the Company in General Meeting and to appoint Auditors annually. Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By Order of the Board



C J KIDDLE MORRIS
SECRETARY

March 1, 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 when preparing the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

1000 4 13 1

PET PLAN LIMITED

AUDITORS' REPORT TO THE MEMBERS OF PET PLAN LIMITED

We have audited the accounts on pages 5 to 15 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 3, the Company's Directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

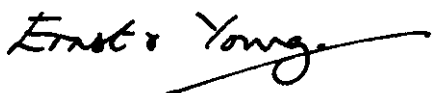
Basis of Opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at December 31, 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

London

March 1, 2001

PET PLAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2000

	Notes	2000 £	1999 £
Turnover		25,389,819	20,000,675
Administrative expenses		<u>(17,734,270)</u>	<u>(16,302,702)</u>
Operating Profit	2	7,655,549	3,697,973
Interest receivable	3	533,700	423,324
Interest payable	4	<u>-</u>	<u>(24,350)</u>
Profit on ordinary activities before taxation		8,189,248	4,096,947
Taxation	7	<u>(2,412,313)</u>	<u>(1,266,357)</u>
Profit on ordinary activities after taxation		5,776,935	2,830,590
Dividend	8	<u>(540,000)</u>	<u>(540,000)</u>
Profit retained for the financial year		5,236,935	2,290,590
Retained profit brought forward		<u>5,490,262</u>	<u>3,199,672</u>
Retained profit carried forward		<u>10,727,197</u>	<u>5,490,262</u>

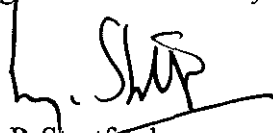
The Company has no recognised gains or losses other than those amounts shown above.

PET PLAN LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	9	29,420	150,065
Investments	10	<u>100</u>	<u>100</u>
		<u>29,520</u>	<u>150,165</u>
CURRENT ASSETS			
Stocks		75,000	387,500
Debtors	11	39,217,236	25,894,574
Cash at bank and in hand		<u>9,410,234</u>	<u>3,785,035</u>
		<u>48,702,470</u>	<u>30,067,109</u>
CREDITORS - Amounts falling due within one year			
Creditors	12	(29,080,292)	(15,769,501)
Accruals & deferred income		<u>(1,090,433)</u>	<u>(1,276,652)</u>
		<u>(30,170,725)</u>	<u>(17,046,153)</u>
NET CURRENT ASSETS		<u>18,531,745</u>	<u>13,020,956</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		18,561,265	13,171,121
Provisions for liabilities and charges	14	<u>(1,814,068)</u>	<u>(1,660,859)</u>
TOTAL NET ASSETS		<u>16,747,197</u>	<u>11,510,262</u>
CAPITAL AND RESERVES			
Share capital	15	6,020,000	6,020,000
Retained profit		<u>10,727,197</u>	<u>5,490,262</u>
		<u>16,747,197</u>	<u>11,510,262</u>

These financial statements were approved by the Board of Directors on March 1, 2001 and signed on its behalf by:


G R Stratford
 Chairman

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents commission income and fees receivable for services rendered during the year.

(c) Depreciation

Depreciation is provided using the following rates and bases so as to reduce the cost of the tangible assets to their estimated residual value over their estimated useful lives:

Computers and telephony	20% straight line
Motor vehicles	20% reducing balance

(d) Stocks

Stocks of stationery and publicity material are valued at the lower of cost or net realisable value.

(e) Leasing and hire purchase

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding. Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

(f) Pensions

Pension contributions are charged to the profit and loss account as incurred. These contributions are invested separately from the company's assets.

(g) Deferred marketing expenditure

Costs of direct mailing expenditure and TV campaign costs are expensed over their estimated useful life of 3 years.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

(h) Provision for policy administration and claims handling

A provision is made to cover the cost associated with administering policies and the handling of claims which will arise in future years in respect of policies incepted in the current and past years.

2. OPERATING PROFIT

Operating profit is stated after charging:-

	2000	1999
	£	£
Depreciation	89,173	166,999
Auditors' remuneration	17,656	14,500
Hire of equipment	2,937	13,974
<u>Operating lease rentals:</u>		
Land and buildings	396,359	534,566
Plant and machinery	24,569	68,465

3. INTEREST RECEIVABLE

Bank and other interest receivable for the year was £533,700 (1999: £423,324).

4. INTEREST PAYABLE

	2000	1999
	£	£
On overdue tax	-	18,727
Hire purchase and finance lease interest	-	5,623
	-	24,350

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

5. DIRECTORS AND EMPLOYEES

	2000	1999
	£	£
Staff costs:		
Wages and salaries	4,988,087	4,167,089
Social security costs	482,609	395,781
Other pension costs	<u>192,435</u>	<u>189,264</u>
	<u>5,663,131</u>	<u>4,752,134</u>

Average monthly number of employees during the year was as follows:

Administration	<u>224</u>	<u>222</u>
----------------	------------	------------

None of the Directors of Pet Plan Limited receive any remuneration for their services as Directors of the company. The company bears the directors remuneration costs of Pet Plan Group Limited, a group undertaking, full disclosure of which is contained in the accounts of that company.

6. PENSION COSTS

The company operates a defined contribution schemes for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension charge represents the contributions payable by the company to the scheme amounting to £192,435 (1999: £189,264).

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

7. TAXATION

The charge for taxation in the Profit and Loss Account comprises:

	2000 £	1999 £
UK Corporation tax at 30% (1999 30.25%)	<u>2,412,313</u>	<u>1,266,357</u>

9. DIVIDENDS

	2000 £	1999 £
9% Redeemable Cumulative Preference Shares	<u>540,000</u>	<u>540,000</u>

Out of the dividends payable of £540,000 a total of £270,000 was paid during the year.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

9. TANGIBLE ASSETS

	Computers and Telephony £	Motor Vehicles £	Total £
<u>Cost</u>			
At 1 January 2000	1,063,473	153,292	1,216,765
Disposals	<u>(411,632)</u>	<u>(111,491)</u>	<u>(523,123)</u>
At 31 December 2000	<u>651,841</u>	<u>41,801</u>	<u>693,642</u>
<u>Depreciation</u>			
At 1 January 2000	964,814	101,886	1,066,700
Charge for the year	81,923	7,250	89,173
Disposals	<u>(411,632)</u>	<u>(80,019)</u>	<u>(491,651)</u>
At 31 December 2000	<u>635,105</u>	<u>29,117</u>	<u>664,222</u>
Net book value at 31 December 2000	<u>16,736</u>	<u>12,684</u>	<u>29,420</u>
Net book value at 31 December 1999	<u>98,659</u>	<u>51,406</u>	<u>150,065</u>

Included above are assets held under finance leases and hire purchase contracts as follows:

	2000 £	1999 £
Net book values:		
Computers and telephony	<u>-</u>	<u>26,395</u>
Depreciation charge for the year:		
Computers and telephony	<u>-</u>	<u>67,117</u>

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

10. INVESTMENTS

	2000	1999
	£	£
Cost and net book value		
Unlisted investments	<u>100</u>	<u>100</u>

11. DEBTORS

	2000	1999
	£	£
Deferred marketing expenditure	3,453,736	2,650,928
Trade debtors	25,475,143	22,220,600
Amounts owed by group undertakings	10,192,579	983,180
Other debtors	66,864	32,366
Prepayments and accrued income	<u>28,914</u>	<u>7,500</u>
	<u>39,217,236</u>	<u>25,894,574</u>

12. CREDITORS: Amounts falling due within one year

	2000	1999
	£	£
Other taxes and social security	176,411	205,368
Corporation tax	2,260,020	1,364,875
Amounts owed to group undertakings	26,373,861	13,922,968
Dividend payable	270,000	270,000
Other creditors	<u>-</u>	<u>6,290</u>
	<u>29,080,292</u>	<u>15,769,501</u>

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

13. OPERATING LEASES

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	Land and buildings	
	2000	1999
	£	£
Expiry date:		
Between one and five years	280,280	280,280
Over five years	<u>118,050</u>	<u>118,050</u>
	<u>398,330</u>	<u>398,330</u>

14. PROVISION FOR LIABILITIES AND CHARGES

	2000	1999
	£	£
Provision for policy administration and claims handling	<u>1,814,068</u>	<u>1,660,859</u>

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

15. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	2000 £	1999 £	2000 £	1999 £
Ordinary shares of £1 each	100,000	100,000	20,000	20,000
9% redeemable cumulative preference shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>
	<u>6,100,000</u>	<u>6,100,000</u>	<u>6,020,000</u>	<u>6,020,000</u>

The Redeemable Cumulative Preference Shares carry a dividend of 9% per annum, payable half yearly in arrears on 1 January and 1 July. The dividend rights are cumulative, and the shares do not carry votes at meetings unless there is a resolution proposing a variation in the rights attaching to the preference shares. No redemption date is specified.

On a winding up of the Company repayment of the nominal value of the preference shares and any arrears of dividend has priority over the repayment of the ordinary shares. The preference shares are classified as non equity shares under FRS 4 - Capital Instruments.

16. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption available under FRS8 paragraph 3 section (c), which does not require disclosure in the financial statements related party transactions where 90% or more of the Companies voting rights are controlled within the Group.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 1999	6,020,000	3,199,672	9,219,672
Profit for year	-	2,290,590	2,290,590
Balance at 1 January 2000	6,020,000	5,490,262	11,510,262
Profit for year	-	5,236,935	5,236,935
Balance at 31 December 2000	6,020,000	10,727,197	16,747,197

18. DIRECTORS' INTERESTS

Directors' interests in ordinary non-voting shares of Cornhill Insurance PLC as shown by the register kept in accordance with Section 325 of the Companies Act 1985, together with details of their options to purchase shares under Share Option Schemes and shares which have been allotted under the Profit-Sharing Share Scheme are set out below:-

	Beneficially Owned		Executive Share Option Scheme		SAYE Share Option Scheme		Profit-Sharing Share Scheme	
	1.1.00	31.12.00	1.1.00	31.12.00	1.1.00	31.12.00	1.1.00	31.12.00
J Johnson	-	-	-	-	401	-	103	103
R C Barrett	-	-	-	-	382	-	90	90
G R Stratford	2,054	1,393	1,250	1,250	484	244	225	126
D G Bishop	1,229	1,289	1,300	-	541	339	218	120

Four Directors exercised share options in Cornhill Insurance PLC during the year.

19. PARENT UNDERTAKING

The ultimate parent undertaking, Allianz Aktiengesellschaft, is incorporated in Germany and copies of its group accounts are available on request from the Company at Königinstrasse 28, 80802 München, Germany.

Cornhill Insurance PLC is the parent undertaking of the smallest group of undertakings of which the Company is a member and for which group accounts are drawn up. Cornhill Insurance PLC is incorporated in England and group accounts are available from the Company Secretary, 32 Cornhill, London, EC3V 3LJ.

