

PET PLAN LIMITED**DIRECTORS' REPORT**

Directors: G R Stratford (Chairman)
D G Bishop
J Johnson
D J Simpson
N S Poole

Secretary: C J Kiddle Morris

Registered Office: 57 Ladymead, Guildford, Surrey, GU1 1DB

Registered No: 1282939

The Directors present their Report for the year ended December 31, 2002.

ACCOUNTS

The Directors submit the audited accounts of the Company for the year ended December 31, 2002. The results for the year are shown in the Profit and Loss Account on page 6.

ACTIVITIES

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

DIVIDEND

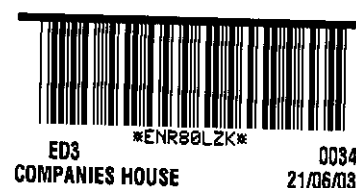
The Directors are not recommending the payment of a dividend in respect of the ordinary shares.

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 12 days (2001 5 days) calculated in accordance with the statutory regulations.



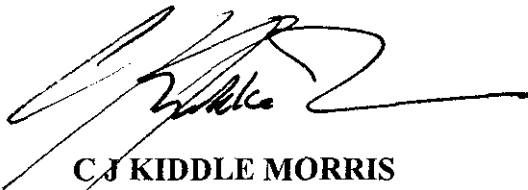
PET PLAN LIMITED

DIRECTORS' REPORT

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.

By Order of the Board



C J KIDDLE MORRIS
SECRETARY

February 18, 2003

PET PLAN LIMITED

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.

PET PLAN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PET PLAN LIMITED

We have audited the Company's financial statements for the year ended December 31, 2002 which comprise the Profit and Loss Account, Balance Sheet and Statement of Total Recognised Gains and Losses and related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

PET PLAN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PET PLAN LIMITED (continued)

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 company as at December 31, 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor

London

February 18, 2003

PET PLAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2002

	Notes	2002 £	2001 £ Restated
Turnover		27,249,262	27,627,653
Administrative expenses		<u>(18,550,728)</u>	<u>(18,937,239)</u>
Operating Profit	3	8,698,534	8,690,414
Interest receivable	4	<u>-</u>	<u>3,250</u>
Profit on ordinary activities before taxation		8,698,534	8,693,664
Taxation	7 (a)	<u>(2,664,407)</u>	<u>(1,566,454)</u>
Profit on ordinary activities after taxation		6,034,127	7,127,210
Dividend	9	<u>(540,000)</u>	<u>(540,000)</u>
Profit retained for the financial year		5,494,127	6,587,210
Retained profit brought forward		<u>17,314,407</u>	<u>10,727,197</u>
Retained profit carried forward		<u>22,808,534</u>	<u>17,314,407</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 2002

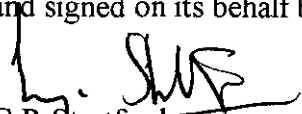
The Company has no recognised gains or losses other than those amounts shown in the Profit and Loss Account.

PET PLAN LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2002

	Notes	2002 £	2001 £ Restated
FIXED ASSETS			
Tangible assets	10	-	-
Investments	11	<u>100</u>	<u>100</u>
		<u>100</u>	<u>100</u>
CURRENT ASSETS			
Stocks		75,000	75,000
Debtors	12	43,416,001	39,173,480
Cash at bank and in hand		<u>2,888,661</u>	<u>3,860,241</u>
		<u>46,379,662</u>	<u>43,108,721</u>
CREDITORS - Amounts falling due within one year			
Creditors	13	(14,201,262)	(16,732,648)
Accruals & deferred income		<u>(1,329,466)</u>	<u>(1,247,189)</u>
		<u>(15,530,728)</u>	<u>(17,979,837)</u>
NET CURRENT ASSETS		<u>30,848,934</u>	<u>25,128,884</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,849,034	25,128,984
PROVISIONS FOR OTHER RISKS AND CHARGES			
Provision for policy administration and claims handling		(1,961,358)	(1,641,215)
Deferred taxation	8	<u>(59,142)</u>	<u>(153,362)</u>
TOTAL NET ASSETS		<u>28,828,534</u>	<u>23,334,407</u>
CAPITAL AND RESERVES			
Share capital	15	6,020,000	6,020,000
Retained profit		<u>22,808,534</u>	<u>17,314,407</u>
	17	<u>28,828,534</u>	<u>23,334,407</u>

These financial statements were approved by the Board of Directors on February 18, 2003 and signed on its behalf by:


G R Stratford
Chairman

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Change in accounting policy

From January 1, 2002 the Company has adopted the new accounting standard Financial Reporting Standard ('FRS') 19 'Deferred Tax' which requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. In adopting FRS19, the Company has chosen to discount deferred tax assets and liabilities. The effect of this change in accounting policy is set out in note 2 to the accounts. Comparative amounts have been restated, where necessary.

(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

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

(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.

(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 inception in the current and past years.

(i) Deferred taxation

In accordance with FRS19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Change in accounting policy and prior year adjustment

The accounting policy for deferred taxation has been changed in the current financial year, in accordance with FRS19 'Deferred Tax' issued in December 2000. Previously deferred taxation was provided only where it was likely that the amount would become payable in the foreseeable future.

Prior year amounts have been restated to reflect this change in accounting policy. The change has had the effect of increasing the total recognised gains and losses by £94,220 (2001 gains decreased by £153,362).

The change has had the effect of decreasing shareholders funds at 1 January 2002 by £153,362.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

3. OPERATING PROFIT

Operating profit is stated after charging:-

	2002	2001
	£	£
Depreciation	-	16,736
Auditors' remuneration	25,553	27,169
Hire of equipment	3,430	6,333
<u>Operating lease rentals:</u>		
Land and buildings	411,661	402,293
Plant and machinery	30,561	35,204

4. INTEREST RECEIVABLE

Bank and other interest receivable for the year was £nil (2001: £3,250).

5. DIRECTORS AND EMPLOYEES

	2002	2001
	£	£
Staff costs:		
Wages and salaries	4,689,860	4,387,682
Social security costs	459,615	426,666
Other pension costs	<u>192,288</u>	<u>186,385</u>
	<u>5,341,763</u>	<u>5,000,733</u>

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

Administration	<u>243</u>	<u>238</u>
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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 Treewalk Group Limited, a group undertaking, full disclosure of which is contained in the accounts of that company.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

6. PENSION COSTS

The company operates a defined contribution scheme 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 £192,288 (2001: £186,385).

7. TAXATION

	2002 £	2002 £	2001 £ Restated	2001 £ Restated
(a) Analysis of charge in the period				
Current tax:				
Corporation tax at 30% (2001 30%):				
On profit for the year	2,758,627		2,589,835	
Over provision in previous years	-		(1,176,743)	
Total current tax (note 7 (b))		2,758,627		1,413,092
Deferred tax:				
Origination and reversal of timing differences	(94,220)		153,362	
Total deferred tax (note 8)		(94,220)		153,362
Total tax		<u>2,664,407</u>		<u>1,566,454</u>

(b) Factors affecting tax charge for the period

The tax assessed for the period is less than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	8,698,534	8,693,664
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	2,609,560	2,608,099
Effects of:		
Adjustments to tax charge in respect of previous years	-	(1,176,743)
Expenses not deductible for tax purposes	149,067	4,111
Capital allowances in excess of depreciation	-	(22,375)
Current tax charge for period (note 7 (a))	<u>2,758,627</u>	<u>1,413,092</u>

(c) Factors that may affect future tax charges

As at the balance sheet date, there were no items that would materially affect the future tax charge.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

8. PROVISION FOR DEFERRED TAX

	2002 £	2001 £ Restated
Accelerated capital allowances	59,142	153,362
Provision for deferred tax	<u>59,142</u>	<u>153,362</u>
Balance at January 1,	153,362	-
Deferred tax charge in profit and loss account for period (note 7 (a))	(94,220)	153,362
Balance at December 31,	<u>59,142</u>	<u>153,362</u>

9. DIVIDENDS

	2002 £	2001 £
9% Redeemable Cumulative Preference Shares	<u>540,000</u>	<u>540,000</u>

Dividends of £540,000 were paid during the year, £270,000 in respect of both 2002 and 2001.

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

10. TANGIBLE ASSETS

	Computers and Telephony £
<u>Cost</u>	
At January 1, and December 31, 2002	<u>379,633</u>
<u>Depreciation</u>	
At January 1, and December 31, 2002	<u>379,633</u>
Net book value at December 31, 2002	<u>-</u>
Net book value at December 31, 2001	<u>-</u>

11. INVESTMENTS

	2002 £	2001 £
Cost and net book value		
Unlisted investments	<u>100</u>	<u>100</u>

12. DEBTORS

	2002 £	2001 £
Deferred marketing expenditure	4,175,148	3,287,772
Trade debtors	37,999,634	31,338,434
Amounts owed by group undertakings	1,147,718	4,383,428
Other debtors	6,073	19,524
Prepayments and accrued income	<u>87,428</u>	<u>144,322</u>
	<u>43,416,001</u>	<u>39,173,480</u>

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

13. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Other taxes and social security	1,681,687	176,205
Corporation tax	4,342,164	1,569,359
Amounts owed to group undertakings	7,637,411	14,717,084
Dividend payable	<u>540,000</u>	<u>270,000</u>
	<u>14,201,262</u>	<u>16,732,648</u>

14. 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	
	2002	2001
	£	£
Expiry date:		
Between two and five years	-	411,661
Over five years	<u>66,600</u>	<u>118,050</u>
	<u>66,600</u>	<u>529,711</u>

PET PLAN LIMITED

NOTES TO THE ACCOUNTS

15. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	2002 £	2001 £	2002 £	2001 £
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 FRS 8 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 2001	6,020,000	10,727,197	16,747,197
Profit for year	-	6,587,210	6,587,210
Balance at 1 January 2002	6,020,000	17,314,407	23,334,407
Profit for year	-	5,494,127	5,494,127
Balance at 31 December 2002	6,020,000	22,808,534	28,828,534

18. DIRECTORS' INTERESTS

Directors' interests in ordinary non-voting shares of Allianz Cornhill Insurance plc and shares of Allianz AG Common Stock 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 (Allianz Cornhill Shares)		Executive Share Option Scheme Allianz (Cornhill Shares)		SAYE Share Option Scheme (Allianz Cornhill Shares)		Profit-Sharing Share Scheme (Allianz Cornhill Shares)		All Employee Share Ownership Plan (Allianz AG Shares)	
	1.1.02	31.12.02	1.1.02	31.12.02	1.1.02	31.12.02	1.1.02	31.12.02	1.1.02	31.12.02
J Johnson	48	-	-	-	-	-	55	43	11	38
G R Stratford	1,112	718	1,250	900	-	-	66	59	11	38
D G Bishop	789	552	-	-	283	-	63	56	-	-

One Director exercised share options in Allianz 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.

Allianz 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. Allianz Cornhill Insurance plc is incorporated in England and group accounts are available from the Company Secretary, 57 Ladymead, Guildford, Surrey, GU1 1DB

In accordance with FRS1 (revised) a cash flow statement has not been prepared since the company is a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group and consolidated financial statements are publicly available.