ALLIANZ-ŢIRIAC ASIGURĂRI SA

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

ALLIANZ-ŢIRIAC ASIGURĂRI SA

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2000

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1 NATURE OF THE ENTERPRISE

ALLIANZ-ŢIRIAC ASIGURARI S.A. ("ALLIANZ-ŢIRIAC" or "the Company") has been incorporated in Romania since 1994 and is licensed by OSAAR (the Supervisory Office of Insurance and Reinsurance Activity) to conduct insurance activities. ALLIANZ-ŢIRIAC is a joint stock company established under the Romanian regulations.

The Company is engaged principally in insurance operations in Romania. The Company operates through its head office located in Bucharest and 33 branches and 97 offices (1999: 32 branches and 84 offices) located in Bucharest and other cities and towns in Romania. The address of the registered office is as follows:

Bucharest, Căderea Bastiliei Street, No. 80-84.

The company developed a retail network comprising 3,070 natural persons acting as insurance agents and 90 institutionalised insurance agents (1999: 1,505 natural persons and 84 institutionalised insurance agents).

The share capital structure as at 31 December 2000 is presented below:

	Number of shares (thousands)	**Percentage held**
ALLIANZ AKTIENGESELLSCHAFT	20,400	51%
BANCA COMERCIALĂ "ION ŢIRIAC"	8,000	20%
VESANIO TRADING LIMITED	7,099	17.75%
Other shareholders (with less than 5% each)	4,501	11.25%
	40,000	100%

The Company has a wholly-owned subsidiary, ASIT REAL ESTATE S.R.L., a company established in 1999 that provides construction services in the real estate sector.

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AUDITORS' REPORT TO THE SHAREHOLDERS OF ALLIANZ-ŢIRIAC ASIGURARI SA

We have audited the accompanying consolidated balance sheet of the ALLIANZ-ŢIRIAC ASIGURĂRI S.A. ("ALLIANZ-ŢIRIAC" or "the Company") and its wholly-owned subsidiary ASIT REAL ESTATE S.R.L. (together the "Group") as at 31 December 2000 and the related consolidated statement of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2000 and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended in accordance with International Accounting Standards.

Bucharest, 13 April 2001

ALLIANZ-ŢIRIAC ASIGURĂRI SA

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2000
(all amounts expressed in ROL million, with amounts translated to US Dollars (USD) for convenience purposes only)

	Note	31 December 2000		31 December 1999	
		(ROL million)	(USD 000) (unaudited)	(ROL million)	(USD 000) (unaudited)
Premium income					
Gross premiums written		1,006,977	38,840	606,339	23,387
Reinsurers' share of premiums written		(573,926)	(22,137)	(181,856)	(7,014)
Changes in the gross provision for unearned premiums		(247,950)	(9,564)	(73,878)	(2,850)
Changes in the reinsurers' share of the provision for unearned premiums		225,374	8,693	25,152	970
Premium income, net of reinsurance	5	410,475	15,832	375,757	14,493
Claims					
Gross claims paid		(255,767)	(9,865)	(192,350)	(7,419)
Reinsurers' share received		97,898	3,776	41,250	1,591
Change in the gross provision for outstanding claims		(82,886)	(3,197)	(49,324)	(1,902)
Change in the provision for outstanding claims, reinsurers' share		44,968	1,734	11,320	437
Incurred claims, net of reinsurance	6	(195,787)	(7,552)	(189,104)	(7,293)
Operating expenses relating to insurance					
Commissions expense		(60,689)	(2,341)	(43,506)	(1,678)
Reinsurance commissions and profit participation		104,448	4,029	52,366	2,020
General and administration expenses	7	(224,362)	(8,654)	(199,078)	(7,679)
Total operating expenses relating to insurance, net of reinsurance		(180,603)	(6,966)	(190,218)	(7,337)
Technical result		34,085	1,314	(3,565)	(137)
Net investment income and similar income	8	46,035	1,776	103,334	3,986
Loss on the net monetary position		(84,310)	(3,251)	(91,957)	(3,547)
Other income/(expense)		(4,356)	(168)	6,143	237
Profit/(loss) before taxation		(8,546)	(329)	13,955	539
Income tax release	9	32,558	1,256	13,443	519
Operating profit after income tax		24,012	927	27,398	1,058

ALLIANZ-ŢIRIAC ASIGURĂRI SA

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000
(all amounts expressed in ROL million, with amounts translated to US Dollars (USD) for convenience purposes only)

	Note	2000		1999	
		(ROL million)	(USD 000's) (unaudited)	(ROL million)	(USD 000's) (unaudited)
Assets					
Fixed assets	11	391,940	15,118	298,921	11,530
Investments	12	627	24	627	24
Deferred tax asset	14	10,039	387	-	-
Receivables and reinsurers' share of technical provisions	15	818,951	31,588	283,994	10,954
Other assets	16	16,335	630	22,060	851
Cash in hand and at bank	17	192,955	7,443	182,595	7,043
Total assets		1,430,847	55,190	788,197	30,402
Shareholders` equity					
Share capital	18	119,303	4,602	119,303	4,602
Revaluation surplus		5,323	205	5,323	205
Retained earnings		104,727	4,040	80,715	3,113
Total Shareholders` equity		229,353	8,847	205,341	7,920
Deferred tax liability	14	-	-	28,400	1,095
Technical provisions and other liabilities	19	1,201,494	46,343	554,456	21,387
Total liabilities		1,201,494	46,343	582,856	22,482
Total liabilities and shareholders` equity		1,430,847	55,190	788,197	30,402

On behalf of the Board | Date

13 April 2000

President | Economic Director
Cristian Constantinescu | Cleopatra Marinescu

The accompanying notes on pages 5 to 25 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2000
(all amounts expressed in ROL million unless otherwise stated)

	Note	2000	1999
Cash generated from operations	20	174,955	76,090
Income tax paid		(1,756)	(7,619)
Net cash from operating activities		173,199	68,471
Cash flows from investing activities			
Purchases of property, plant and equipment		(117,961)	(132,232)
Proceeds from sale of property, plant and equipment		894	4,478
Interest and similar income received		9,943	37,263
Net cash used in investing activities		(107,124)	(90,491)
Cash flows from financing activities			
Dividends paid		-	(22,002)
Net cash used in financing activities		-	(22,002)
Effects of inflation and exchange rates over cash and cash equivalents		(53,279)	(27,475)
Net (decrease)/increase in cash and cash equivalents		12,796	(71,497)
Movement in cash and cash equivalents			
At start of year	17	182,595	254,092
(Decrease)/increase		12,796	(71,497)
At end of year	17	195,391	182,595

The accompanying notes on pages 5 to 25 form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2000
(all amounts expressed in ROL million unless otherwise stated)

	Share capital	Revaluation surplus	Retained earnings	Total
Balance as at 31/12/1998				
- as previously reported	119,303	5,323	53,317	177,943
- effect of adopting IAS 10 (revised)	-	-	22,002	22,002
- as restated	119,303	5,323	75,319	199,945
Profit for the period	-	-	27,398	27,398
Dividends	-	-	(22,002)	(22,002)
Balance as at 31/12/1999	119,303	5,323	80,715	205,341
Profit for the period	-	-	24,012	24,012
Balance as at 31/12/2000	119,303	5,323	104,727	229,353

The accompanying notes on pages 5 to 25 form an integral part of these financial statements.

1 REPORTING ENTITY

These consolidated financial statements are presented by ALLIANZ-ŢIRIAC ASIGURĂRI SA ("ALLIANZ-ŢIRIAC" or the "Company"), which is incorporated in Romania, and they incorporate the results of the Company and its subsidiary (the "Group"), as detailed in Note 13. The Company has one associate company, as detailed in Note 12.

2 BASIS OF PRESENTATION AND ACCOUNTING RECORDS

These consolidated financial statements have been prepared in accordance with and comply with International Accounting Standards ("IAS") as issued by the International Accounting Standards Committee ("IASC"). These are not the statutory accounts of ALLIANZ-ŢIRIAC.

The consolidated financial statements have been prepared using the historical cost convention, restated for the effects of inflation and modified by the valuation of land as further disclosed in Note 11 to these consolidated financial statements.

In 2000 the Group adopted IAS 10 (revised) – Events after the Balance Sheet Date, IAS 22 – Business Combinations, IAS 36 – Impairment of Assets, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 38 – Intangible Assets. Information on adopting these standards is disclosed in accounting policies 4(d), 4(i), 4(h) and in Note 10.

Currency of presentation

The functional currency of the Group and the reporting currency for these consolidated financial statements are the Romanian Leu ("ROL"). These consolidated financial statements are presented in terms of the purchasing power of the ROL as at 31 December 2000.

Basis of accounting

The Group maintains its accounting records in ROL in accordance with Romanian law and the annual statutory accounts are prepared in accordance with the accounting requirements of Romanian law and accounting practice ("RAP") issued by the Ministry of Finance of Romania. The accompanying consolidated financial statements are based on the statutory records of the Group, which are maintained on a going concern basis under the historical cost convention, except for certain revaluations of land.

In order to prepare these IAS financial statements it was necessary to make a number of adjustments to the statutory accounts and to obtain certain other disclosures that are not

2 BASIS OF PRESENTATION AND ACCOUNTING RECORDS (CONTINUED)

readily available from the accounting records of the Group. However, these accounting records did not in all cases provide sufficient information to assess these adjustments and disclosures accurately and therefore estimates were made on the basis of the best information available. Whilst these individual estimates are subject to a degree of uncertainty, their overall effect on these financial statements is not regarded as material. The areas subject to these uncertainties are as follows:

(a) gross provisions for unearned premiums
(b) reinsurers' share of the unearned premiums provision
(c) debtors from insurance operations
(d) creditors from reinsurance operations
(e) foreign exchange rate gains/losses
(f) loss on the net monetary position

3 INTERNATIONAL ACCOUNTING STANDARD 29 (Financial Reporting in Hyperinflationary Economies) ("IAS 29")

IAS require that financial statements prepared on a historical cost basis should be adjusted to take account of the effects of inflation, if this has been significant. IAS 29 provides guidance on how financial information should be presented in such circumstances. In summary, it requires that financial statements should be restated in terms of the measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately. The restatement of financial statements in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. During the year ended 31 December 2000 the general price index issued by Comisia Naţională de Statistică, the official Romanian Statistical Bureau, indicates that the domestic annual rate of inflation was 40.7% (1999: 54.9%). The cumulative rate of inflation was 206.7% over the three years ended 31 December 2000 (three years ended 31 December 1999: 458.5%). Therefore the requirements of IAS 29 have been adopted in preparing these consolidated financial statements. The Group has utilised the general price index issued by Comisia Naţională de Statistică in the application of IAS 29.

The application of IAS 29 to specific categories of transactions and balances within the financial statements is set out as follows:

3 INTERNATIONAL ACCOUNTING STANDARD 29 (Financial Reporting in Hyperinflationary Economies) ("IAS 29") (CONTINUED)

(a) Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and interest bearing loans have not been restated as they are considered monetary assets and liabilities and are therefore stated in ROL current at the balance sheet date.

Gains or losses which arise as a result of inflation and the holding of monetary assets and liabilities are estimated by applying the change in the general price index to the weighted average for the period of the difference between monetary assets and liabilities.

(b) Non monetary assets and liabilities

Non monetary assets and liabilities (those balance sheet items that are not already expressed in terms of ROL current at the balance sheet date) are restated from their historical cost or valuation by applying the change in the general price index from either the date of acquisition, valuation or contribution to the balance sheet date.

(c) Fixed assets

IAS 29 states that all property, plant and equipment should be restated from the date of their purchase using a general price index.

(d) Consolidated income statement

Income statement items, with the exception of depreciation, the changes in the gross provision for unearned premiums and the changes in the reinsurers' share of the provision for unearned premiums, have been restated by applying the change in the general price inflation index from the dates when the items were initially recorded to the balance sheet date. In practice this restatement has been calculated on a monthly average basis. Corresponding figures from previous year have been restated accordingly. The depreciation expense for the year is based on the restated fixed assets balances at year-end. The changes in the gross provision for unearned premiums and the changes in the reinsurers' share of the provision for unearned premiums represent the movement between the indexed opening and the closing provisions.

(e) Corresponding figures

All the corresponding figures (including monetary assets and liabilities) for the previous reporting period have been restated by multiplying the amounts included in the previous

3 INTERNATIONAL ACCOUNTING STANDARD 29 (Financial Reporting in Hyperinflationary Economies) ("IAS 29") (CONTINUED)

year's financial statements by the change in the general price index. Hence, as required by IAS 29, comparative financial information is presented in terms of the measuring unit current as at 31 December 2000. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current as at 31 December 2000.

4 ACCOUNTING POLICIES

Set out below are the principal accounting policies used to prepare the underlying financial information of the Group before the application of IAS 29. This financial information is then adjusted for the effects of inflation in accordance with the bases described in Note 3, in order to prepare the IAS financial statements.

(a) Principles of consolidation

Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Annual basis

The technical result for accident and health, third party liability, motor vehicles, marine and other damage to property and facultative reinsurance is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums written

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company.

4 ACCOUNTING POLICIES (CONTINUED)

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

(iii) Premium ceded

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the balance sheet date as a prepayment.

(iv) Reinsurance recoveries

Reinsurance recoveries are recognised as revenues for claims incurred.

(v) Claims

The claims liability covers claims incurred but not yet paid, claims incurred but not reported and the anticipated direct and indirect costs of settling those claims. The claims incurred but not reported and the anticipated direct and indirect costs of settling the claims are estimated using past experience and trends.

The liability for outstanding claims is estimated on the basis of the ultimate cost of settling claims.

(vi) Commissions

Commissions payable on direct insurance and profit commissions receivable on outwards reinsurance are accounted for when paid/received. Outwards reinsurance commissions receivable are accounted for on an accruals basis.

(vii) Reinsurers’ share of technical provisions

The reinsurers' share of technical provisions is disclosed separately as an asset on the balance sheet.

4 ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into ROL at exchange rates as of the balance sheet date.

All differences arising on the settlement and translation of foreign currency amounts are recognised in the income statement in the year in which they arise. Realised and unrealised exchange losses which are expensed, including those on borrowings, and exchange gains on cash deposits are included within net investment income and similar income in the income statement.

The ROL is not a convertible currency outside the territory of Romania.

(d) Fixed assets

The cost of fixed assets, with the exception of land, is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. The principal expected useful lives used for this purpose are:

	Years
Buildings	50
Vehicles	5
Computers and software	2-5
Other fixed assets	8-10

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Land is not depreciated, as it is deemed to have an indefinite life.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

4 ACCOUNTING POLICIES (CONTINUED)

(e) Finance leases

Tangible fixed assets held under finance leases are capitalised at the net present value of minimum lease payments and amortised over the estimated useful life of the asset. A corresponding lease liability is recorded and lease payments are apportioned between interest and principal.

(f) Investments

Investments represent long-term interests and are stated at historical cost less any provision for permanent diminution in value.

(g) Receivables

Where the net realisable value of the debt is less than its original value, the net realisable value is included within the balance sheet as the asset value and the difference written off to the income statement.

(h) Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(i) Payables

Amounts payable to and receivable from the same party are shown net in the balance sheet when a right of set-off exists.

(j) Provisions

The Group recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

(k) Employees' benefits

The Group, in the normal course of business, makes payments to the Romanian state on behalf of its employees for pensions, health care and unemployment care. All employees of the Group are members of the Romanian state pension plan. The Group does not operate any pension scheme or post retirement benefit plan and,

4 ACCOUNTING POLICIES (CONTINUED)

consequently has no obligation in respect of pensions. In addition, the Group is not obliged to provide further benefits to employees.

(l) Income taxes

Deferred taxation is provided using the balance sheet liability method based upon the concept of temporary differences, being the differences between the carrying amounts of assets and liabilities in the balance sheet and their tax basis value. Under this method deferred taxes are required to be recognised for all temporary differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realised or the liability settled, based on tax rates and laws that have been enacted at the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

(m) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. IAS 10 (revised) – Events after the Balance Sheet Date, IAS 22 – Business Combinations, IAS 36 – Impairment of Assets, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 38 – Intangible Assets, became effective on 1 January 2000. There are no changes in accounting policy, including the standards mentioned above, that affect the results and financial position of the Group.

(n) New accounting developments

For the consolidated financial statements for 2001, a new International Accounting Standard IAS 39 - Financial Instruments: Recognition and Measurement will come into effect. The Standard requires all financial assets and financial liabilities to be recognised on the balance sheet, including all derivatives. The Group has not yet identified the activities that will be most affected by the new Standard.

The assessment of the impact of IAS 39 on the Group's financial position as of 1 January 2001 will be reported in the 2001 consolidated financial statements as an adjustment to retained earnings at 1 January 2001, with no restatement of previously reported amounts for the year ended 31 December 2000.

In addition, IAS 40 'Investment Property' is effective for financial statements covering periods beginning on or after 1 January 2001.

(all amounts expressed in ROL million unless otherwise stated)

5 PREMIUM INCOME, NET OF REINSURANCE

	2000	1999
Accident and health	27,714	33,302
Motor vehicles	201,815	176,929
Property	67,469	97,408
Marine	13,282	5,972
Third party liability	69,198	58,327
Other	30,997	3,819
	410,475	375,757

Net premium income as at 31 December 2000 can be further analysed as follows:

	Gross premiums written	Outwards reinsurance premiums	Net change in the unearned premium provision	Net premium income
Accident and health	41,259	(14,164)	619	27,714
Motor vehicles	475,106	(255,023)	(18,268)	201,815
Property	210,629	(143,094)	(66)	67,469
Marine	54,863	(41,146)	(435)	13,282
Third party liability	155,988	(76,043)	(10,747)	69,198
Other	69,132	(44,456)	6,321	30,997
	1,006,977	(573,926)	(22,576)	410,475

(all amounts expressed in ROL million unless otherwise stated)

5 PREMIUM INCOME, NET OF REINSURANCE (CONTINUED)

Net premium income as at 31 December 1999 can be further analysed as follows:

	Gross premiums written	Outwards reinsurance premiums	Net change in the unearned premium provision	Net premium income
Accident and health	44,668	(13,173)	1,807	33,302
Motor vehicles	237,978	(1,054)	(59,995)	176,929
Property	193,556	(73,140)	(23,008)	97,408
Marine	46,067	(42,215)	2,120	5,972
Third party liability	47,392	(19,494)	30,429	58,327
Other	36,678	(32,780)	(79)	3,819
	606,339	(181,856)	(48,726)	375,757

6 INCURRED CLAIMS, NET OF REINSURANCE

	2000	1999
Accident and health	8,672	5,312
Motor vehicle	107,730	103,506
Property	14,710	21,195
Marine hull	20,657	3,105
Third party liability	46,208	22,010
Other	(2,190)	33,976
	195,787	189,104

(all amounts expressed in ROL million unless otherwise stated)

6 INCURRED CLAIMS, NET OF REINSURANCE (CONTINUED)

Net claims incurred as at 31 December 2000 can be further analysed as follows:

	Gross claims paid	Reinsurers' share	Net change in the provision for outstanding claims	Net claims incurred
Accident and health	(14,459)	6,031	(244)	(8,672)
Motor vehicles	(144,821)	50,660	(13,569)	(107,730)
Property	(32,828)	17,537	581	(14,710)
Marine	(4,720)	458	(16,395)	(20,657)
Third party liability	(53,771)	12,341	(4,778)	(46,208)
Other	(5,168)	10,871	(3,513)	2,190
	(255,767)	97,898	(37,918)	(195,787)

Net claims incurred as at 31 December 1999 can be further analysed as follows:

	Gross claims paid	Reinsurers' share	Net change in the provision for outstanding provision	Net claims incurred claims provision
Accident and health	(12,806)	8,957	(1,463)	(5,312)
Motor vehicle	(85,152)	566	(18,920)	(103,506)
Property	(35,830)	20,715	(6,080)	(21,195)
Marine hull	(10,297)	8,834	(1,642)	(3,105)
Third party liability	(16,800)	2,157	(7,367)	(22,010)
Other	(31,465)	21	(2,532)	(33,976)
	(192,350)	41,250	(38,004)	(189,104)

(all amounts expressed in ROL million unless otherwise stated)

7 GENERAL AND ADMINISTRATION EXPENSES

	2000	1999
General administration expenses	98,884	97,208
Salaries and related taxes related taxes	107,361	86,269
Depreciation expense	18,117	15,601
	224,362	199,078

8 NET INVESTMENT INCOME AND SIMILAR INCOME

	2000	1999
Net foreign exchange gains	35,162	66,542
Interest income	9,842	36,746
Other income	1,031	46
	46,035	103,334

9 INCOME TAX

	2000	1999
Current income tax expense	(5,881)	-
Deferred income tax release	38,439	13,443
	32,558	13,443

10 DIVIDENDS PER SHARE

These financial statements do not reflect the dividend payable in respect of 2000, which will be accounted for in the shareholders' equity as an appropriation of reserves in the year ending 31 December 2001. The dividends declared in respect of 1999 and 1998 were, respectively, nil and ROL 22,002 million.

(all amounts expressed in ROL million unless otherwise stated)

11 FIXED ASSETS

	2000	1999
Tangible fixed assets	382,974	183,588
Assets in course of construction	8,966	115,333
	391,940	298,921

Tangible fixed assets changed over the year ended 31 December 2000, as follows:

	Land and buildings	Vehicles	Computers	Others	Total
Restated cost/valuation					
31 December 1999	147,320	33,255	23,359	23,641	227,575
Additions	200,381	1,988	7,959	7,897	218,225
Disposals	(561)	(1,585)	(256)	(673)	(3,075)
31 December 2000	347,140	33,658	31,062	30,865	442,725
Accumulated depreciation					
31 December 1999	3,804	13,910	13,394	12,879	43,987
Charge for the period	3,795	6,328	4,462	3,532	18,117
Disposals	(51)	(1,618)	(389)	(295)	(2,353)
31 December 2000	7,548	18,620	17,467	16,116	59,751
Net book amount					
31 December 2000	339,592	15,038	13,595	14,749	382,974
31 December 1999	143,516	19,345	9,965	10,762	183,588

The fixed assets include revaluation differences in amount of ROL 5,323 million, as a result of the difference between the historic cost and market value as at 31 December 1998, related to land.

(all amounts expressed in ROL million unless otherwise stated)

11 FIXED ASSETS (CONTINUED)

At 31 December 2000, leased assets included in the table on the previous page, where the Group is a lessee under a finance lease, comprise vehicles:

	2000	1999
Cost – capitalised finance leases	8,807	8,807
Accumulated depreciation	(2,522)	(761)
Net book value	6,285	8,046

12 INVESTMENTS

The investments in amount of historic ROL 50 million represent of shares held in "ŢIRIAC Aviation" representing 5.3% of the company's share capital. "ŢIRIAC Aviation" provides services for aviation, fuel handling and air transport.

13 SUBSIDIARIES

The Company had one subsidiary as at 31 December 2000, being ASIT REAL ESTATE SRL, a company incorporated in Romania in 1999, in which the Company holds 100% interest. The principal activity of ASIT REAL ESTATE SRL is to provide construction services in the real estate sector.

14 DEFERRED TAX ASSETS

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (1999: 25%).

The movement on the deferred tax assets and liabilities is as follows:

	2000	1999
1 January	(28,400)	(41,843)
Income tax release	38,439	13,443
31 December	10,039	(28,400)

(all amounts expressed in ROL million unless otherwise stated)

14 DEFERRED TAX ASSETS (CONTINUED)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred tax liabilities	Receivables	Fixed assets	Other	Total
At 31 December 1999	58,939	15,887	(525)	74,301
Charged/(credited) to income statement	118,553	(10,846)	(766)	106,941
At 31 December 2000	177,492	5,041	(1,291)	181,242

Deferred tax assets	Payables and other liabilities	Total
At 31 December 1999	45,901	45,901
Credited to income statement	145,380	145,380
At 31 December 2000	191,281	191,281

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

15 RECEIVABLES AND REINSURERS' SHARE OF TECHNICAL PROVISIONS

	2000	1999
Premium receivable, net	358,739	118,226
Reinsurers' share of the unearned premiums provision	294,480	69,106
Reinsurers' share of the outstanding claims provision	53,132	17,950
Commissions to be received from reinsurance ceded	108,441	71,054
Other recoveries	4,159	7,658
	818,951	283,994

(all amounts expressed in ROL million unless otherwise stated)

15 RECEIVABLES AND REINSURERS' SHARE OF TECHNICAL PROVISIONS (CONTINUED)

The net premium receivable can be further analysed as follows:

	2000	1999
Premium receivable	361,842	125,711
Less amounts written off	3,103	7,485
Premium receivable, net	358,739	118,226

16 OTHER ASSETS

	2000	1999
Prepayments	6,241	5,600
VAT to be recovered	4,061	14,002
Inventories	3,106	1,825
Other receivables	2,927	633
	16,335	22,060

17 CASH IN HAND AND AT BANKS

	2000	1999
Cash at bank and in hand		
- in ROL	69,661	45,174
- in foreign currencies	65,331	28,927
Short term bank deposits		
- in foreign currencies	53,963	108,494
Treasury certificates	4,000	-
	192,955	182,595

Included in cash at bank there is an amount of ROL 27,874 million held at Banca Turco-Romana ("BTR") (see subsequent events Note 24).

17 CASH IN HAND AND AT BANKS (CONTINUED)

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2000	1999
Cash at bank and in hand	192,955	182,595
Add back provision for BTR deposit	2,436	-
	195,391	182,595

18 SHARE CAPITAL

At 31 December 2000 the share capital of the Company is made up of 40,000 ordinary shares with a nominal value of ROL 925,000 each, fully paid at the balance sheet date. Each share carries one vote.

The shareholding structure as at 31 December 2000 is as follows:

	Number of shares (thousands)	Percentage held	Historic amount
ALLIANZ AKTIENGESELLSCHAFT	20,400	51%	18,870
BANCA COMERCIALA "ION ŢIRIAC"	8,000	20%	7,400
VESANIO TRADING LIMITED	7,099	17.75%	6,567
Other shareholders (with less than 5% each)	4,501	11.25%	4,163
	40,000	100%	37,000

(all amounts expressed in ROL million unless otherwise stated)

19 TECHNICAL PROVISIONS AND OTHER LIABILITIES

	2000	1999
Unearned premiums provision	525,052	277,102
Outstanding claims provision	144,354	99,301
Premiums due for reinsurance ceded	340,852	78,374
Other payables	44,688	42,783
Deferred income	146,548	56,896
	1,201,494	554,456

20 CASH GENERATED FROM OPERATIONS

	2000	1999
Profit/(loss) before taxation	(8,546)	13,955
Adjustments for:		
Depreciation	18,117	15,601
Loss on the net monetary position	84,310	91,957
Net foreign exchange gain	(35,162)	(66,542)
Net interest income and similar income	(10,873)	(36,792)
Profit on disposal of fixed assets	(199)	(3,380)
Provision expense	(1,475)	10,531
Profit before working capital changes	46,172	25,330
Increase in net technical provisions	32,446	49,689
Increase in receivables and other assets	(286,981)	(124,017)
Increase in payables and other liabilities	383,318	125,088
Cash generated from operations	174,955	76,090

(all amounts expressed in ROL million unless otherwise stated)

21 RELATED PARTIES TRANSACTIONS

The Group provides services to related parties companies on normal commercial terms and receives services from those companies on similar terms. The Group is part of the Ţiriac group of companies, all of which are related parties.

Transactions and balances outstanding with related parties at 31 December 2000 are detailed below:

Premiums written

	2000	1999
Banca Comercială Ion Ţiriac SA	2,192	3,532
Autorom SRL	1,128	1,697
Romcar SRL	1,095	1,421
Ţiriac Leasing SA	576	-
Ion Ţiriac Air SA	714	440
Mr. Ion Ţiriac	274	298
	5,979	7,388

Claims incurred

	2000	1999
Banca Comercială Ion Ţiriac SA	132	63
Autorom SRL	890	585
Romcar SRL	754	70
	1,776	718

Balances with related parties

	2000	1999
Cash held at Banca Comercială Ion Ţiriac SA	48,960	32,747
	48,960	32,747

22 RISK MANAGEMENT

Market risk

Romanian economy is at early stage of development and there is a considerable degree of uncertainty surrounding the likely future direction of domestic economic policy and political development. Management is unable to predict what changes in condition will take place in Romania and what effect these might have on the financial position and the results of operations and cash flows of the Group.

Liquidity risk

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due.

Currency risk

The Group operates in a developing economy. Romania experiences high rates of inflation and significant currency devaluation. There is a consequent risk of loss in value in respect of net monetary assets held in Romanian Lei. To hedge its currency risk the Company's policy is to maintain a long position (i.e. assets exceeding liabilities) in hard currencies.

Taxation risk

The taxation system in Romania is subject to varying interpretations and to constant changes, which may be retroactive. In certain circumstances the tax authorities can be aggressive and arbitrary in assessing tax penalties and interest. Although the actual tax due on a transaction may be minimal, penalties can be significant as they may be calculated based on the value of the transaction and can be as high as 0.15% per day. In Romania, tax periods remain open to tax audits for a period of 5 years from the end of the period.

Insurance risk

In writing premium, the Company incurs insurance risk, i.e. the risk that the Company will incur a claim in respect of the business written. Concentration of insurance risk could result in a material loss for the Company if an event or series of events were to affect a whole policy type or the Country of Romania. The Company minimises its insurance risk by careful assessment of customers, established exposure limits, extensive reinsurance programs and the application of a prudent provisioning policy in respect of claims insurance, both reported and not reported.

23 CONTINGENCIES

Legal proceedings

The Group is subject to a number of proceedings arising from the normal conduct of its business. The Directors believe that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of the Group.

24 SUBSEQUENT EVENTS

(a) Amounts held at Banca Turco-Romana

Subsequent to 31 December 2000 ALLIANZ-ŢIRIAC has concluded several agreements with BTR in order to recover the amounts held with the bank. As a result the Company took over from the bank two loans and an apartment in amount of ROL equivalent 23,146 in compensation for the cash held at BTR as at the year-end.

(b) Depreciation of ROL

On 13th of April 2000 the exchange rate of the ROL to the USD was 27,858 ROL/USD. This represents a 7.45% depreciation since 31 December 2000.