

EAGLE STAR TRUST COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003
COMPANY REGISTRATION NUMBER: 2372343



DIRECTORS' REPORT

The directors present their report and audited financial statements for Eagle Star Trust Company Limited for the year ended 31 December 2003.

Principal Activities and Business Review

The Company acts as the Trustee of small self-administered pension schemes.

The results for the year are shown on page 4.

It is intended that the Company will continue to undertake business relating to this activity.

Directors

The directors who served during the year were:

| | |
|--------------|--------------------------|
| S W Foster | Appointed 27 August 2003 |
| C D Goodwin | Resigned 27 August 2003 |
| M Rawle | Appointed 27 August 2003 |
| S G Reynolds | Resigned 27 August 2003 |

The Company is a wholly owned subsidiary of Zurich Financial Services, a company incorporated in Switzerland. As such, no director had any interests required to be disclosed under the Companies Act 1985.

No directors exercised options in Zurich Financial Services during the year.

No directors had material interests in a contract of significance with the Company or any subsidiary company of Zurich Financial Services during the year.

Auditors

The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for the dispensation from the annual appointment of auditors. The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office.

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the directors in relation to the financial statements of the Company. The report of the auditors, shown on page 3 sets out their responsibilities in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period. In preparing those financial statements, the directors are required to:

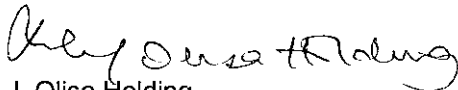
- Select appropriate policies and apply them consistently, subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

By order of the Board



L Olisa Holding
Secretary
12 March 2004

AUDITORS' REPORT

Independent auditors' report to the members of Eagle Star Trust Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in note 1.

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 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 information specified by law regarding directors' 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 directors' report.

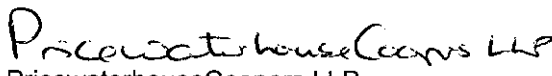
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

12 March 2004

Eagle Star Trust Company Limited**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2003

| | Note | 2003 £' 000 | 2002 £' 000 |
|--|-------|----------------|----------------|
| Turnover | 2 | 128 | 118 |
| Administrative Expenses | 3 - 4 | (449) | (383) |
| Operating Loss | | (321) | (265) |
| Investment Income | 6 | 100 | 11 |
| Loss on Ordinary Activities Before Taxation | | (221) | (254) |
| Tax on Loss on Ordinary Activities | 7 | 69 | 76 |
| <u>Retained Loss For The Financial Year</u> | | (152) | (178) |
| <u>Retained Profit Brought Forward</u> | | 275 | 453 |
| <u>Retained Profit Carried Forward</u> | | 123 | 275 |

All turnover and operating loss is derived from continuing operations.

The Company has no recognised gains or losses in the period other than the loss for the period, therefore no statement of recognised gains or losses has been included.

There is no difference between the loss on ordinary activities before taxation, or the retained loss for the year stated above, and their historical equivalents

Eagle Star Trust Company Limited

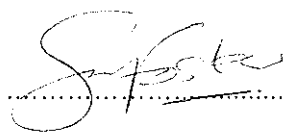
BALANCE SHEET

As at 31 December 2003

| | Note | 2003 £' 000 | 2002 £' 000 |
|---|------|----------------|----------------|
| <u>Fixed Assets</u> | | | |
| Investments | 8 | 302 | 302 |
| <u>Current Assets</u> | | | |
| Debtors | 9 | 158 | 2,038 |
| Short Term Investments | | 303 | 292 |
| Cash at Bank | | 97 | 144 |
| Creditors: Amounts Falling Due Within One Year | 10 | (487) | (2,251) |
| Net Current Assets | | 71 | 223 |
| Net Assets | | 373 | 525 |
| <u>Share Capital and Reserves</u> | | | |
| Called Up Share Capital | 11 | 250 | 250 |
| Profit and Loss Account | | 123 | 275 |
| Equity Shareholders' Funds | 12 | 373 | 525 |

The financial statements on pages 4 to 9 were approved by the Board of Directors on 12 March 2004 and were signed on its behalf by:

SIMON FOSTER



Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 Basis of Accounting

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

1.2 Consolidated Accounts

In accordance with exemptions given in FRS 2, the Company has not prepared consolidated accounts since it is a wholly owned subsidiary undertaking of a parent company which prepares consolidated accounts.

1.3 Investments in Subsidiaries

All investments are stated at the lower of cost and net realisable value.

2. Turnover

Turnover represents the total invoice value of trustee and related fees net of value added tax. Income is recognised as the service is provided

3. Administrative Expenses

Administrative expenses are initially paid by another group company and are recharged to the Company on an annual basis. This charge includes direct expenses and an allocation of corporate overheads. All audit fees are borne by the holding company.

4. Directors' Emoluments

The emoluments of the directors during the year were £nil (2002: £nil)

No directors exercised options over shares in Zurich Financial Services during the period 1 January 2003 to 31 December 2003.

5. Employee Information

Staff working for the Company are employed by another Group undertaking, Zurich Employment Services Limited, and therefore the Company does not incur direct staff or pension costs. The Company incurs management charges from Zurich Employment Services Limited. It is not possible to separately identify staff and pension costs that are included in these charges, therefore no disclosure has been made for staff numbers and costs.

The principal disclosures in respect of these staff appear in the financial statements of Zurich Employment Services Limited, copies of which can be obtained from The Secretary, Zurich Employment Services Limited, UK Life Centre, Station Road, Swindon, SN1 1EL.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Investment Income

| | 2003 £' 000 | 2002 £' 000 |
|---|----------------|----------------|
| Interest received from subsidiary undertaking | 89 | - |
| Bank interest | 11 | 11 |
| | <u>100</u> | <u>11</u> |

7. Taxation

| | 2003 £' 000 | 2002 £' 000 |
|---|----------------|----------------|
| United Kingdom taxation: | | |
| - Amount receivable from fellow group undertakings in respect of group relief surrendered | (66) | (76) |
| - Adjustment in respect of prior years | (3) | - |
| | <u>(69)</u> | <u>(76)</u> |
| Current tax (credit) for the year | (69) | (76) |
| Tax on loss on ordinary activities | <u>(69)</u> | <u>(76)</u> |

Factors affecting the tax charge for the period

The tax assessed for the year is at the standard rate of corporation tax in the UK (30%).

8. Investments

The following are wholly owned subsidiary undertakings of Eagle Star Trust Company Limited at 31 December 2003 and the particulars of the percentages of nominal value of issued shares then held:

| <u>Company and country of registration</u> | <u>Principal activity</u> | <u>Class of Share capital</u> | <u>Percentage of nominal value held</u> |
|--|---------------------------------|-------------------------------|---|
| Zurich Trust Limited (incorporated in Jersey) | Trustee and management services | Ordinary | 100 |
| Eagle Star Nominees (Isle of Man) Limited (incorporated in the Isle of Man) | Trustee and nominee | Ordinary | 100 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Debtors

| | 2003 £' 000 | 2002 £' 000 |
|--|----------------|----------------|
| Amounts due from subsidiary undertaking | - | 1,915 |
| Amounts due from other group undertaking | 142 | 104 |
| Prepayments and accrued income | 16 | 19 |
| | <u>158</u> | <u>2,038</u> |

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Amounts owed by a subsidiary undertaking are unsecured and have no fixed date of repayment. Interest was charged at LIBOR + 0.5%

10. Creditors: Amounts Falling Due Within One Year

| | 2003 £' 000 | 2002 £' 000 |
|---|----------------|----------------|
| Amounts owed to the holding company | 452 | 558 |
| Amounts owed to other group undertaking | 1 | 1,671 |
| Other tax and social security | 5 | 5 |
| Accruals and deferred income | 29 | 17 |
| | <u>487</u> | <u>2,251</u> |

11. Share Capital

| | 2003 £' 000 | 2002 £' 000 |
|---|----------------|----------------|
| Authorised, allotted, issued and fully paid 250,000 ordinary shares of £1 each | <u>250</u> | <u>250</u> |

12. Reconciliation of Movements in Shareholders' Funds

| | 2003 £' 000 | 2002 £' 000 |
|--|----------------|----------------|
| Opening shareholders' funds | 525 | 703 |
| Retained (loss) for the financial year | (152) | (178) |
| Closing shareholders' funds | <u>373</u> | <u>525</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Cash Flow Statement

The Company qualifies as exempt from the requirement to produce a cash flow statement under Financial Reporting Standard 1 (Revised). It is a subsidiary undertaking of Zurich Financial Services, which prepares a consolidated cash flow statement.

14. Related Party Transactions

The Company has taken advantage of an exemption from Financial Reporting Standard 8 not to disclose transactions with Zurich Financial Services' group undertakings.

Balances with Zurich Financial Services' group undertakings are shown in notes 9 and 10.

15. Ultimate Holding Company

The Company's ultimate parent company is Zurich Financial Services, which is incorporated in Switzerland. Copies of the consolidated financial statements of Zurich Financial Services can be obtained from Mythenquai 2, 8002 Zurich, Switzerland.

Eagle Star Holdings Limited is the parent company of the smallest group of companies for which group accounts are drawn up. Copies of the consolidated financial statements of Eagle Star Holdings Limited can be obtained from:

The Secretary
Eagle Star Holdings Limited
UK Life Centre
Station Road
Swindon
SN1 1EL

In these accounts the term holding company refers to Eagle Star Life Assurance Company Limited.