

WINTERTHUR LIFE UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003



WINTERTHUR LIFE UK LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

W N Hood CBE (Chairman)
M J Kellard (Chief Executive Officer)
S J Basaran
I Brimecome
D K Broek
N J Cattle
J M B Hare
K M Isherwood
C Schnor
M H Winkler

APPOINTED ACTUARY

A Chamberlain

COMPANY SECRETARY

S J Basaran

REGISTERED OFFICE

Winterthur Way
Basingstoke
Hampshire
RG21 6SZ

COMPANY REGISTRATION NUMBER

3116645

WINTERTHUR LIFE UK LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of long-term insurance business and associated investment activities in the United Kingdom. Unit linked pensions business sold is reinsured with Winterthur Pension Funds UK Limited, a subsidiary company.

REVIEW OF THE BUSINESS

The company is one of the UK's top ten providers of Group Personal Pensions and Single Premium Personal Pensions, through Independent Financial Advisers and is a leading provider of Self-invested Personal Pensions.

A key feature of the Winterthur Life approach to pensions is the use of external fund managers – with a choice of over 65 carefully selected funds from 25 award winning fund managers. These include the innovative Elite Funds, which draw on a combination of different funds to offer three risk rated managed funds.

RESULTS AND DIVIDENDS

The results of the company for the year ended 31 December 2003 are shown in the Profit and Loss Account on pages 5 and 6. The company made a loss in the year of £23,243,000 (2002: (restated) profit of £9,457,000) which has been taken to reserves.

The directors do not recommend the payment of a dividend (2002: £nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company as at 31 December 2003 are shown on page 1. Mr I Brimecome was appointed a director of the company on 4 March 2003, Messrs C Schnor and M H Winkler and Mrs S J Basaran were appointed directors of the company on 4 September 2003, and Mrs K M Isherwood was appointed a director of the company on 2 December 2003. Messrs G L Singleton, C A Melvin, and R A F Ostone resigned as directors of the company on 29 May 2003, 10 July 2003 and 2 December 2003 respectively. Messrs A J Moret and J M Ryan resigned as directors of the company on 31 July 2003.

The other directors held office throughout the year.

According to the Register of Directors' Interests:

- a) none of the directors had any interest in the shares of the UK group companies as at 31 December 2003 and
- b) no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

WINTERTHUR LIFE UK LIMITED
DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss of the company for that period. 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.

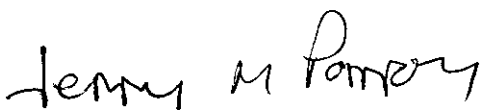
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

ELECTIVE RESOLUTIONS

Under the provisions of the Companies Act 1985, the company has elected:

- a) to dispense with the laying of report and accounts before the company in general meeting, in accordance with Section 252;
- b) to dispense with the holding of Annual General Meetings in accordance with Section 366(A); and
- c) to dispense with the obligation to appoint auditors annually in accordance with Section 386.

By order of the Board



P.P. S J Basaran
Secretary
12 March 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WINTERTHUR LIFE UK LIMITED

We have audited the financial statements on pages 5 to 28.

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 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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those 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 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 as 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
12 March 2004

WINTERTHUR LIFE UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

Technical Account – Long-term Business

	Note	2003 £'000	2002 (restated) £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	1,087,602	998,264
Outward reinsurance premiums		<u>(800,280)</u>	<u>(596,640)</u>
		287,322	401,624
Investment income	4	185,289	139,208
Other technical income, net of reinsurance		<u>7</u>	<u>2,927</u>
		<u>472,618</u>	<u>543,759</u>
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(715,879)	(599,415)
Reinsurers' share		<u>276,082</u>	<u>185,589</u>
		<u>(439,797)</u>	<u>(413,826)</u>
Change in the provision for claims:			
Gross amount		18,803	(16,861)
Reinsurers' share		<u>(2,837)</u>	<u>866</u>
		<u>15,966</u>	<u>(15,995)</u>
		<u>(423,831)</u>	<u>(429,821)</u>
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance:			
Gross amount		139,352	36,676
Reinsurers' share		<u>(3,730)</u>	<u>(1,906)</u>
		135,622	34,770
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities		<u>(75,162)</u>	<u>66,056</u>
		<u>60,460</u>	<u>100,826</u>
Net operating expenses	6	(85,949)	(65,840)
Investment expenses and charges	7	(163,113)	(165,280)
Unrealised gains/(losses) on investments		186,131	(165,181)
Tax attributable to the long-term business	13	3,878	(9,025)
Transfers (to)/from the fund for future appropriations	23	<u>(74,800)</u>	<u>199,188</u>
Balance on the long-term business technical account		<u>(24,606)</u>	<u>8,626</u>

The notes on pages 9 to 28 form part of these financial statements.

WINTERTHUR LIFE UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

Non-Technical Account

		2003	2002 (restated)
	Note	£'000	£'000
Balance on the long-term business technical account		(24,606)	8,626
Taxation charge attributable to balance on the long-term business technical account	13	<u>(10,545)</u>	<u>-</u>
Shareholders' pre-tax (loss)/profit from long-term business		(35,151)	8,626
Investment income	4	2,086	1,909
Investment expenses and charges	7	(1)	(302)
Interest payable		(19)	(883)
Realised gains/(losses) on investments		134	(852)
Unrealised losses on investments		(188)	(39)
Other charges, including value adjustments	8	<u>(99)</u>	<u>(114)</u>
(Loss)/profit on ordinary activities before tax		(33,238)	8,345
Tax credit on profit on ordinary activities	13	<u>9,995</u>	<u>1,112</u>
(Loss)/profit on ordinary activities after tax		(23,243)	9,457
Dividends	14	<u>-</u>	<u>-</u>
Retained (loss)/profit for the financial year	22	<u>(23,243)</u>	<u>9,457</u>

All results arise from continuing activities.

Statement of total recognised gains and losses

		2003	2002 (restated)
	Note	£'000	£'000
(Loss)/profit for the financial year		<u>(23,243)</u>	<u>9,457</u>
Total recognised (losses)/gains relating to the financial year		(23,243)	9,457
Prior year adjustment in respect of FRS 19	26	-	44,516
Prior year adjustment in respect of fund for future appropriations	23	(19,470)	-
Total (losses)/gains recognised since last annual report		<u>(42,713)</u>	<u>53,973</u>

The notes on pages 9 to 28 form part of these financial statements.

WINTERTHUR LIFE UK LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
ASSETS			
Investments			
Land and buildings	15	14,320	13,035
Investments in group undertakings and participating interests	16	6,675	2,175
Other financial investments	17	<u>2,458,638</u>	<u>2,465,897</u>
		<u>2,479,633</u>	<u>2,481,107</u>
Assets held to cover linked liabilities	18	<u>518,026</u>	<u>443,059</u>
Reinsurers' share of technical provisions			
Long-term business provision		7,005	10,735
Claims outstanding		6,555	9,392
Technical provision for unit-linked liabilities		<u>3,504,333</u>	<u>2,525,621</u>
		<u>3,517,893</u>	<u>2,545,748</u>
Debtors			
Debtors arising out of direct insurance operations	19	5,871	9,684
Debtors arising out of reinsurance operations		2,543	10,315
Other debtors	20	<u>32,136</u>	<u>63,459</u>
		<u>40,550</u>	<u>83,458</u>
Other assets			
Cash at bank and in hand		<u>35,756</u>	<u>33,008</u>
Prepayments and accrued income			
Accrued interest and rent		23,599	26,925
Deferred acquisition costs		38,927	32,830
Other prepayments and accrued income		<u>-</u>	<u>967</u>
		<u>62,526</u>	<u>60,722</u>
Total assets		<u><u>6,654,384</u></u>	<u><u>5,647,102</u></u>

The notes on pages 9 to 28 form part of these financial statements.

WINTERTHUR LIFE UK LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £'000	2002 (restated) £'000
LIABILITIES			
Capital and reserves			
Called up share capital	21	27,400	27,400
Capital contribution	22	78,000	25,000
Profit and loss account	22	57,328	80,571
Total shareholders' funds		162,728	132,971
Fund for future appropriations	23	94,270	19,470
Technical provisions			
Long-term business provision	24	2,300,165	2,439,517
Claims outstanding		33,163	51,966
		2,333,328	2,491,483
Technical provision for linked liabilities		4,012,909	2,959,035
Provisions for other risks and charges	25	21,282	7,770
Creditors			
Creditors arising out of direct insurance operations		9,947	2,083
Other creditors including taxation and social security	27	17,749	33,301
		27,696	35,384
Accruals and deferred income		2,171	989
Total liabilities		6,654,384	5,647,102

The financial statements were approved by the board of directors on 12 March 2004 and were signed on its behalf by:


M J Kellard
Chief Executive Officer

The notes on pages 9 to 28 form part of these financial statements.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985 and with the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business dated November 2003.

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules, modified to include the revaluation of investments.

The prior year figures have been restated in respect of the fund for future appropriations, as detailed in Note 23.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

a) Basis of accounting for long-term insurance business

The company has adopted the modified statutory solvency basis for determining long-term business profits.

b) Premiums

Premiums are accounted for on a receivable basis excluding any taxes or duties levied with premiums. Premiums on unit linked policies are accounted for when the liability is established. Outward reinsurance premiums are accounted for on a payable basis.

c) Claims

Death claims and surrenders represent those notified to the company up to the balance sheet date. Maturity claims and annuities are recognised as they fall due for payment.

Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

d) Bonuses

Bonuses charged to the long-term business technical account in a given year comprise:

- New reversionary bonuses declared (which are guaranteed once credited) in respect of that year which are provided within the calculation of the long-term business provision; and
- Terminal bonuses (which are not guaranteed) paid out to policyholders on maturity, death or surrender and are included within claims paid.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2. ACCOUNTING POLICIES (Continued)

e) Acquisition costs and deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Those acquisition costs which are incurred during a financial year, but which are expected to be recoverable out of future revenue margins, are deferred. For both linked and non-linked business, an explicit deferred acquisition cost asset, gross of tax, has been established in the balance sheet.

The deferred acquisition cost asset is amortised over the period in which the costs net of the related deferred tax provision are expected to be recoverable out of the margins in matching revenues from the related policies. Deferral of costs has been limited to the extent that there are available margins. Costs have not been deferred after appropriate margins have been materially received.

f) Long-term business provision

The long-term business provision is calculated initially on a statutory solvency basis to comply with the reporting requirements under the Interim Prudential Sourcebook for Insurers. The calculation uses the net premium valuation for participating non-linked policies whilst a gross premium valuation method has been used for non-participating non-linked policies. The provisions for linked contracts are based on the market value of the related assets. Within the long-term business provision an explicit provision is made for vested bonuses, including those vesting following the current valuation. No provision is made for future reversionary or terminal bonuses. The valuation is then adjusted for certain items, including the adding back of deferred acquisition costs implicit within the valuation method for certain contracts and the removal of certain contingency and other reserves. This adjusted basis is referred to as the modified statutory solvency basis. The long-term business provision includes the non-unit liabilities in respect of linked business.

The principal assumptions underlying the calculation of the long-term business provision are detailed in note 24.

g) Fund for future appropriations

The fund for future appropriations ("FFA") represents the excess of assets over policyholder liabilities for the company's with-profits fund.

The annual excess of income or shortfall of income over expenditure of the with-profits fund, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the FFA each year through a charge or credit to the profit and loss account. The balance retained in the FFA represents cumulative retained earnings arising on the with-profits business that has not been allocated to policyholders or shareholders.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2. ACCOUNTING POLICIES (Continued)

h) Investment return, expenses and charges

Investment return comprises income received from investments, realised investment gains and losses and changes in unrealised gains and losses.

Investment income is accounted for on a receivable basis. Dividends are recognised on the date that the shares become quoted ex-dividend. Income from fixed interest securities, interest, rents and expenses are included on an accruals basis.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost.

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price or, if they have previously been valued, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Unrealised gains and losses on investments which are attributed to the long-term fund or held to cover linked liabilities are included in the long-term business technical account. Unrealised gains and losses on other investments are included in the non-technical account.

Investment income, expenses and charges are included in the long-term business technical account to the extent that they relate to the long-term business fund. Other investment income, investment expenses and charges are included in the non-technical account.

i) Long-term reinsurance contracts

Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as reinsurance contracts.

Contracts which do not significantly transfer all of the above risks are not accounted for as reinsurance contracts in accordance with FRS 5.

In 1996 the company entered into a financial reinsurance treaty as detailed in note 9. In accordance with the ABI SORP (Revised 2003) future margins are not recognised and this arrangement is accounted for as a loan.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2. ACCOUNTING POLICIES (Continued)

j) Investments

Investments in subsidiary undertakings are included in the company balance sheet at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

All other investments, including those classified as assets held to cover linked liabilities, are stated at their current values at the balance sheet date, calculated as follows:

- Listed and other quoted investments are stated at middle market value with the exception of those held to cover linked liabilities which are stated at market prices consistent with the valuation basis within those funds.
- Unlisted investments, for which a market exists, are valued at the average price on the day at which they were last traded. Other unlisted investments are valued by the directors on a prudent basis having regard to their likely realisable values.
- Land and buildings, other than those occupied by the group, are valued at open market value as determined by independent professional advisers at least every three years. In the intervening years, these valuations are reviewed and updated by the directors with the assistance of independent professional advice as necessary. Land and buildings occupied by the group are stated at market value based on vacant possession.
- Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation should be provided in respect of such investments. The directors consider that to depreciate the investment properties would not give a true and fair view and, accordingly, the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations of properties, and the amounts which might otherwise have been shown cannot reasonably be separately identified or quantified.
- Loans to policyholders are carried at unpaid principal balances and are fully secured by the surrender value of policies.
- Deposits are carried at fair value.

k) Derivatives

The tactical use of derivative financial instruments is permitted with the agreement of the investment committee. During the year the company invested in options as a means of protecting itself against possible falls in the market. Derivative assets held at the year end have been valued at market value. Changes in market value are included in the investment result for the year.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2. ACCOUNTING POLICIES (Continued)

l) Taxation

Corporation tax is calculated based upon on the taxable profits or losses for the year. Different tax rules apply under UK law dependent on whether the business is life business or pension business. Tax on pension business is based upon the shareholders' profits attributable to that business. Tax on life business is based on investment returns less expenses attributable to that business. The shareholders' portion of the long-term business is taxed at the shareholders' rate with the remaining portion taxed at the rates applicable to policyholders.

The balance of the long-term business technical account is net of the total tax attributable to the long-term business. In order to present the profit on the long-term insurance activities in the non-technical account on a pre-tax basis, a tax credit attributable to the shareholders' portion of the tax provision for long-term business, calculated at the effective tax rate of the underlying business, is added. The shareholder tax add-back is then included in the tax expense on the profit on ordinary activities within the non-technical account.

Provision is made for deferred tax, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax in respect of unrealised gains on assets held to cover linked liabilities are included within provisions for other risks and charges. Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered and in accordance with FRS 19. The company has chosen not to apply the option available under FRS 19 of recognising such assets and liabilities on a discounted basis to reflect the time value of money.

m) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling using the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction and any exchange differences are included in that part of the profit and loss account in which the underlying transaction is reported.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

3. GROSS PREMIUMS WRITTEN

a) Gross premium income:

	2003 £'000	2002 £'000
Direct insurance	1,088,691	937,875
Reinsurance inwards	<u>(1,089)</u>	<u>60,389</u>
	<u>1,087,602</u>	<u>998,264</u>

	Gross direct premiums written			
	Regular premiums		Single premiums	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Non participating:				
Life	11,730	24,768	(861)	-
Pensions	2,890	2,397	38,892	36,173
Permanent health	738	5,524	-	-
	<u>15,358</u>	<u>32,689</u>	<u>38,031</u>	<u>36,173</u>
Participating:				
Life	47,741	53,589	(855)	8,994
Pensions	6,629	5,325	2,312	2,792
Permanent health	282	334	-	-
	<u>54,652</u>	<u>59,248</u>	<u>1,457</u>	<u>11,786</u>
Linked:				
Life	78,462	90,880	27,919	1,223
Pensions	160,820	153,398	711,992	552,478
	<u>239,282</u>	<u>244,278</u>	<u>739,911</u>	<u>553,701</u>
	<u>309,292</u>	<u>336,215</u>	<u>779,399</u>	<u>601,660</u>
Comprising:				
Individual business	303,046	329,988	479,556	601,658
Group contracts	6,246	6,227	299,843	2
	<u>309,292</u>	<u>336,215</u>	<u>779,399</u>	<u>601,660</u>

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

3. GROSS PREMIUMS WRITTEN (Continued)

b) Gross new business premium income:

	2003 £'000	2002 £'000
Direct insurance	832,857	648,027
Reinsurance inwards	(1,089)	60,389
	<u>831,768</u>	<u>708,416</u>

	Gross direct premiums written			
	Regular premiums		Single premiums	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Non participating:				
Life	46	7	(861)	-
Pensions	-	-	38,892	36,173
Permanent health	-	1	-	-
	<u>46</u>	<u>8</u>	<u>38,031</u>	<u>36,173</u>
Participating:				
Life	-	84	(855)	8,994
Pensions	2	36	2,312	2,792
	<u>2</u>	<u>120</u>	<u>1,457</u>	<u>11,786</u>
Linked:				
Life	2	-	27,919	1,223
Pensions	53,408	46,239	711,992	552,478
	<u>53,410</u>	<u>46,239</u>	<u>739,911</u>	<u>553,701</u>
	<u>53,458</u>	<u>46,367</u>	<u>779,399</u>	<u>601,660</u>
Comprising:				
Individual business	53,456	46,328	479,556	601,658
Group contracts	2	39	299,843	2
	<u>53,458</u>	<u>46,367</u>	<u>779,399</u>	<u>601,660</u>

In classifying new business premiums, the following bases of recognition have been adopted:

- Recurrent single premium contracts, including rebates from the Department of Social Security, are classified as periodic where they are deemed likely to renew at or above the amount of initial premium.
- Incremental increases on existing policies are classified as new business premiums.
- Funds at retirement under individual pension contracts left with the company and transfers from group to individual contracts are classified as new business single premiums and, for accounting purposes, are included in both claims incurred and as single premiums within gross premiums written.
- Where periodic premiums are received other than annually, the reported regular new business premiums are on an annualised basis.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

3. GROSS PREMIUMS WRITTEN (Continued)

c) Geographical analysis of gross premiums written

	2003 £'000	2002 £'000
United Kingdom	1,088,691	937,875
Ireland	(1,089)	60,389
	<u>1,087,602</u>	<u>998,264</u>

Of the gross premiums written in the United Kingdom, £1,088,647,000 (2002: £937,875,000) related to direct insurance.

d) The reinsurance balance for the year amounted to a charge to the long-term business technical account of £528,182,000 (2002: charge of £410,188,000).

4. INVESTMENT INCOME

	Long-term business Technical account		Non-technical account	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Income from land and buildings	485	452	-	-
Income from other investments	137,490	138,756	2,086	1,909
Gains on the realisation of investments	47,314	-	-	-
	<u>185,289</u>	<u>139,208</u>	<u>2,086</u>	<u>1,909</u>

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

5. BONUSES

The following amounts have been included in the long-term business technical account in respect of policyholder bonuses:

	2003 £'000	2002 £'000
Participating contracts:		
Terminal bonuses included within claims paid	43,824	60,488
Reversionary and other bonus included in the movement in the long-term business provision	-	77
	<u>43,824</u>	<u>60,565</u>
Linked contracts:		
Terminal bonuses included within claims paid	3	16
Bonus added to with-profit unit values	486	8,153
	<u>489</u>	<u>8,169</u>
	<u>44,313</u>	<u>68,734</u>

6. NET OPERATING EXPENSES

	2003 £'000	2002 £'000
Acquisition costs	24,750	32,201
Change in deferred acquisition costs	(6,096)	2,148
Administrative expenses	67,295	31,488
Reinsurance commissions and profit participation	-	3
	<u>85,949</u>	<u>65,840</u>

Net operating expenses include total commissions for direct insurance, excluding payments to employees, amounting to £15,010,000 (2002: £7,713,000).

7. INVESTMENT EXPENSES AND CHARGES

	Long-term business Technical account		Non-technical account	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Interest on bank loans	-	-	-	-
Investment management expenses	6,138	8,124	1	302
Losses on the realisation of investments	<u>156,975</u>	<u>157,156</u>	<u>-</u>	<u>-</u>
	<u>163,113</u>	<u>165,280</u>	<u>1</u>	<u>302</u>

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2003 £'000	2002 £'000
Change in provision against fee income debtor	(90)	210
Re-charge of internal audit costs	196	-
Audit and taxation advice	24	-
Write-back of provision for guarantees in respect of property rental payments by formerly tied estate agencies	(31)	(96)
	<u>99</u>	<u>114</u>

9. FINANCIAL REINSURANCE TREATY

Previously amounts payable under financial reinsurance contracts were netted off deferred acquisition costs on the basis that they related principally to the recovery of future margins. This element of the contract has now unwound and the remaining liability relates to the recovery of certain deferred tax amounts. As the liability only crystallises on the recovery of the tax amounts a linked presentation has been adopted to reflect the economic reality.

The repayment of the financial reinsurance is dependent upon sufficient funds being generated in respect of future tax relief. Only to the extent that there is sufficient tax relief is the company obliged to make repayments in respect of the financial reinsurance balance payable.

The company is not obliged to support any losses in respect of financial reinsurance, nor does it intend to do so.

The amounts included in the balance sheet are:

	2003 £'000	2002 £'000
Amounts payable in respect of financial reinsurance contracts	7,843	11,360
Less: deferred tax in respect of financial reinsurance contracts	<u>(7,843)</u>	<u>(11,360)</u>
Net amounts payable in respect of financial reinsurance contracts	<u>-</u>	<u>-</u>

10. AUDITORS' REMUNERATION

Audit and non audit fees incurred in the year are borne by another group company and recharged to Winterthur Life UK Limited as part of an overall expense recharge.

The audit and non audit fees in relation to the Winterthur UK Financial Services Group Limited group of companies are disclosed in the financial statements of Winterthur Financial Services UK Limited.

11. EMPLOYEE NUMBERS AND COSTS

The company does not directly employ any staff. All staff are employed by other group undertakings.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

12. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments directly from the company (2002: £nil). The directors' emoluments were paid by other group undertakings, and have not been specifically apportioned across individual companies.

The directors' emoluments have been disclosed in the financial statements of Winterthur UK Financial Services Group Limited or Winterthur Life UK Holdings Limited.

13. TAXATION

	Long-term business Technical account		Non-technical account	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
UK corporation tax:				
Current year	2,267	6,662	574	626
Group relief receivable	(5,760)	(6,000)	-	-
Adjustment in respect of prior years	-	2,498	(24)	(1,640)
Double tax relief	(184)	(356)	-	-
Other tax	2	(33)	-	-
Tax attributable to balance on long-term business technical account	-	-	(10,545)	-
	(3,675)	2,771	(9,995)	(1,014)
Deferred tax	(203)	6,254	-	(98)
	(3,878)	9,025	(9,995)	(1,112)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003	2002 (restated)
	£'000	£'000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(33,238)	8,345
Current tax (credit) / charge at 30% (2001: 30%)	(9,971)	2,504
<i>Effects of:</i>		
Difference between effective rate and standard tax rate on balance on long-term business technical account	-	(2,588)
Expenses not deductible for tax purposes	-	443
Accounting losses not recognisable	-	267
Adjustments to tax charge in respect of previous periods	(24)	(1,640)
Total current tax (credit) (see above)	(9,995)	(1,014)

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

14. DIVIDENDS

	2003 £'000	2002 £'000
Final dividend paid	-	-

15. LAND AND BUILDINGS

	Investment properties £'000	Properties for own use £'000	Total £'000
As at 1 January 2003	5,910	7,125	13,035
Revaluations	(90)	1,375	1,285
As at 31 December 2003	5,820	8,500	14,320

The cost of investment properties and properties for own use was £5,511,000 (2002: £5,511,000) and £16,033,000 (2002: £16,033,000) respectively.

All land and buildings were held as freehold and were valued on an open market basis at 1 December 2003 by Atis Real Weatheralls Limited, a firm of independent Chartered Surveyors.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

16. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in subsidiary undertakings £'000
Cost	
As at 1 January 2003	2,175
Additions	4,500
	<hr/>
As at 31 December 2003	6,675
Provisions	
As at 1 January 2003	-
Write back of provision	-
	<hr/>
As at 31 December 2003	-
Net book value	
As at 31 December 2003	6,675
	<hr/>
As at 31 December 2002	2,175
	<hr/>

As at 31 December 2003 the company owned the whole of the issued ordinary share capital of the following group undertakings, all of which are incorporated in Great Britain and registered in England and Wales:

Name	Nature of business
Personal Pension Management Limited	Provision and administration of personal pension schemes
Winterthur Pension Trustees UK Limited	Pension trustee
Salisbury Castle Properties Limited	Property holding
Dextra Court Properties Limited	Property holding
Winterthur Pension Funds UK Limited	Unit linked pensions

No consolidated financial statements have been prepared on the basis that the company is a wholly owned subsidiary of Winterthur (UK) Holdings Limited, a company registered in England and Wales. The company's accounts are consolidated in the financial statements of Winterthur (UK) Holdings Limited.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

17. OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Shares and other variable-yield securities and units in unit trusts	574,834	624,358	539,537	757,291
Debt securities and other fixed-income securities	1,730,799	1,645,548	1,727,151	1,596,369
Derivatives	6,586	26,100	11,092	37,323
Loans secured by insurance policies	6,944	11,859	6,944	11,859
Other secured loan to another group undertaking	10,000	10,000	10,000	10,000
Deposits with credit institutions	129,475	148,032	129,475	148,032
	<u>2,458,638</u>	<u>2,465,897</u>	<u>2,424,199</u>	<u>2,560,874</u>

Included in the current values above are amounts in respect of listed investments as follows:

	2003	2002
	£'000	£'000
Shares and other variable-yield securities and units in unit trusts	572,599	602,234
Debt securities and other fixed-income securities	<u>1,730,799</u>	<u>1,645,548</u>
	<u>2,303,398</u>	<u>2,247,782</u>

18. ASSETS HELD TO COVER LINKED LIABILITIES

	Current value		Cost	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Assets held to cover linked liabilities	<u>518,026</u>	<u>443,059</u>	<u>497,693</u>	<u>485,665</u>

Assets held to cover linked liabilities are shown net of any associated linked creditor balances.

19. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2003	2002
	£'000	£'000
Amounts due from policyholders	5,867	8,340
Amounts due from intermediaries	<u>4</u>	<u>1,344</u>
	<u>5,871</u>	<u>9,684</u>

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

20. OTHER DEBTORS

	2003 £'000	2002 £'000
Amounts owed by group undertakings	9,820	26,541
Taxation recoverable	5,509	21,288
Deferred tax (Note 26)	5,340	1,617
Other debtors	11,467	14,013
	<u>32,136</u>	<u>63,459</u>

21. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
30,000,000 (2002: 30,000,000) ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Allotted and fully paid:		
27,400,000 (2002: 27,400,000) ordinary shares of £1 each	<u>27,400</u>	<u>27,400</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2003	27,400	25,000	100,041	152,441
Prior year adjustment in respect of fund for future appropriations	-	-	(19,470)	(19,470)
Balance as at 1 January 2003 (restated)	27,400	25,000	80,571	132,971
Additional capital contribution	-	53,000	-	53,000
Retained loss for the year	-	-	(23,243)	(23,243)
Balance as at 31 December 2003	<u>27,400</u>	<u>78,000</u>	<u>57,328</u>	<u>162,728</u>

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

23. FUND FOR FUTURE APPROPRIATIONS

	2003	2002 (restated)
	£'000	£'000
Balance as originally stated at 1 January	-	218,658
Adjustment in respect of prior year	<u>19,470</u>	<u>-</u>
Restated balance as at 1 January	19,470	218,658
Transfer from/(to) technical account – long-term business (2002 originally £218,658,000)	<u>74,800</u>	<u>(199,188)</u>
Balance as at 31 December	<u>94,270</u>	<u>19,470</u>

As part of the year end 2003 reconciliation procedures, the closing balance of the fund for future appropriations for the year ended 31 December 2002 was found to be misstated.

The effect of this restatement of the fund for future appropriations on the 2002 profit and loss account is to decrease the profit by £19,470,000.

24. LONG-TERM BUSINESS PROVISION

The principal assumptions underlying the calculation of the long-term business provision are as follows:

Rates of interest:	2003	2002
With profit fund		
- life	3.91%	3.37%
- pensions	5.30%	4.85%
Non profit fund		
- life	3.38%	3.20%
- pensions	4.76%	4.54%

Mortality tables:

Life policies, pension policies	Males 100% AM (92) Females 100% AF (92)	Males 100% AM (92) Females 100% AF (92)
Immediate annuities	100% Males IML92 (MC) U=2004 and PML92 (MC) U=2004 100% Females IFL92 (1992 Projection) U=2004 and PFL92 (1992 Projection) U=2004	100% Males IML92 (MC) U=2003 and PML92 (MC) U=2003 100% Females IFL92 (1992 Projection) U=2003 and PFL92 (1992 Projection) U=2003

The assumptions to which the long-term business provision is particularly sensitive are the interest rate used to discount the provision and the assumed future mortality experience of policyholders.

In common with other life offices in the United Kingdom, the company has written pension transfer and opt out business. A provision of £9,632,500 (2002: £11,258,000) has been made in respect of rectification costs for pension transfers and opt outs from occupational schemes, and this is included in the long-term business provision. The provision has been determined with due consideration to the guidelines issued by the Securities and Investments Board in October 1994, and subsequently by the FSA. The principal assumptions and estimates made in determining the provision relate to the number of cases which on investigation give rise to a loss to the policyholder, and the average costs of making good the loss.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

25. PROVISIONS FOR OTHER RISKS AND CHARGES

	Litigation £'000	Pensions transfer & opt-out review £'000	Endowment review £'000	Guarantees £'000	Complaints £'000
Balance as at 1 January 2003	-	2,385	1,269	1,928	2,188
Charged / (released) in the year	7,310	-	-	-	10,712
Utilised in the year	-	(1,048)	(1,269)	(116)	(2,077)
Balance as at 31 December 2003	<u>7,310</u>	<u>1,337</u>	<u>-</u>	<u>1,812</u>	<u>10,823</u>
					Total £'000
Balance as at 1 January 2003					7,770
Charged / (released) in the year					18,022
Utilised in the year					<u>(4,510)</u>
Balance as at 31 December 2003					<u>21,282</u>

The pensions transfer and opt-out review provision relates to administrative expenses likely to be incurred by the company in carrying out this review.

The endowment provision related to administrative expenses and compensation costs likely to be incurred by the company in carrying out this review, which was completed in 2003.

The provision for guarantees relates to various guarantees provided by the company to third parties in relation to financial transactions entered into by formerly tied estate agencies. As at 31 December 2003 £482,000 relates to guaranteed property lease payments and £1,300,000 to other guarantees that will become payable upon the completion of various terms attaching to the contracts to which they relate. Full provision was made in the financial statements of this company, although £1,300,000 payable under the guarantees is recoverable from another group undertaking and a corresponding asset is consequently included elsewhere within these financial statements.

The complaints provision relates to the administrative expenses and compensation costs likely to be incurred in respect of complaints of misfold policies.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

26. DEFERRED TAXATION

The elements of deferred taxation are as follows:

	Technical account		Non-technical account	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Unrealised losses/(gains) on investments	977	(951)	-	-
Deferred acquisition costs	(7,601)	(5,510)	-	-
Short-term timing differences	8,433	11,140	-	-
Losses carried forward	11,374	8,298	-	-
Total asset	13,183	12,977	-	-

A net deferred tax asset has been recognised in the financial statements and is included in other debtors £5,340,000 (2002: £1,617,000) (Note 20) and net amounts payable in respect of financial reinsurance contracts £7,843,000 (2002: £11,360,000) (Note 9).

In addition to the above, there is a provision for deferred tax in respect of linked business of £977,000 (2002: £603,000) included in technical provisions for linked liabilities.

Unrecognised deferred tax assets arising from equity losses totalled £31,500,000 (2002: £52,000,000) and from pension business losses carried forward totalled £5,400,000 (2002: £nil).

27. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	5,992	17,182
Other creditors	11,757	16,119
	17,749	33,301

All creditors are payable within a period of one year.

28. ASSETS REPRESENTING THE LONG-TERM BUSINESS FUND

The total assets shown on page 7 include £6,567,001,000 (2002: £5,581,615,000) attributable to the long-term business fund of the company.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The contingent liabilities referred to in (a) to (c) below transferred from WLUK Limited in accordance with the terms of the Schedule 2C scheme.

a) As part of certain arrangements with a number of tied and formerly tied estate agencies, the company has undertaken to guarantee the rental payments which fall due in respect of 119 property leases. The outstanding lease terms range from 1 to 12 years duration. The maximum possible liability as at 31 December, in the unlikely event that all such lease payments had to be met by the company for the full duration of their terms is £7,065,000 (2002: £7,894,000). £482,000 (2002: £540,000) of this potential liability has been provided for in these financial statements as part of provisions for other risks and charges.

	2003 £'000	2002 £'000
Maximum potential liabilities (before tax) under rent guarantees, net of amounts provided	<u>6,583</u>	<u>7,354</u>

b) During 2000 the administration of Self Invested Personal Pension plans was transferred from Winterthur Life UK Limited to a subsidiary undertaking, Personal Pension Management Limited. The company has given an indemnity to Personal Pension Management Limited in respect of any errors made in the administration of the Self Invested Personal Pension plans in the period prior to the plans being transferred.

Payments totalling £nil (2002: £nil) have been made under this indemnity during the year and a further provision of £72,000 (2002: £62,000) has been included in these financial statements as at the end of the year. In addition, outstanding fee income debtors totalling £nil (2002: £1,281,000) transferred to the company from Personal Pension Management Limited during the previous year were outstanding at the end of the year. A provision totalling £nil (2002: £1,107,000) has been set up against these debtors and charged to the Non-Technical Account.

c) The company has provided a £5,000,000 (2002: £5,000,000) guarantee to the Royal Bank of Scotland in respect of overdrafts on client accounts administered by Winterthur Pension Trustees UK Limited and Personal Pension Management Limited. To date, no payments have been made under this guarantee.

d) The company has outstanding policy and other litigation claims of £2,273,000 (2002: £2,557,000).

e) The company has a contingent liability for any levy in relation to independent financial advisors under the Financial Services Compensation Scheme. There is no basis at the present time for assessing the likely level of any such levy.

30. CASH FLOW STATEMENT

In accordance with Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a group for which the holding company prepares consolidated financial statements, including a cash flow statement dealing with the cash flows of the group.

WINTERTHUR LIFE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

31. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8, the company is exempt from the requirement to disclose information on related party transactions as it is a wholly owned subsidiary of a group for which the holding company prepares consolidated financial statements in which the company is included and which are publicly available.

32. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Credit Suisse Group, a company incorporated in Switzerland. The company is a wholly owned subsidiary of Winterthur Life UK Holdings Limited, a company registered in England and Wales.

The company's financial statements are consolidated in the financial statements of Credit Suisse Group and Winterthur (UK) Holdings Limited.

Copies of accounts for the above companies are available from Winterthur UK Financial Services Group Limited, Winterthur Way, Basingstoke, Hampshire, RG21 6SZ.