

Company Registration Number: 3487917

WINTERTHUR FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003



WINTERTHUR FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

S J Basaran
K M Isherwood
M J Kellard

COMPANY SECRETARY

S J Basaran

REGISTERED OFFICE

Winterthur Way
Basingstoke
Hampshire
RG21 6SZ

COMPANY REGISTRATION NUMBER

3487917

WINTERTHUR FINANCE LIMITED

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The company's principal activity is the provision of financing facilities to the Winterthur UK Financial Services Group of companies and to third parties.

REVIEW OF THE BUSINESS

(i) Loans to group undertakings

During the year, the company increased its loan to group undertakings by £0.7 million to £33.7 million.

(ii) Estate agents

In 2001, the company's fellow subsidiary undertaking Winterthur Life UK Limited terminated its tying arrangements with estate agencies and, as a consequence, borrowing arrangements provided to those agencies by Winterthur Finance Limited were rescheduled. In 2003 the company incurred further costs relating to these borrowing arrangements of £3.2 million.

RESULTS AND DIVIDENDS

The results of the company for the year ended 31 December 2003 are shown in the Profit and Loss Account on page 5. The directors do not recommend the payment of a dividend (2002: £Nil) and the loss for the year after taxation of £2.8 million (2002: loss of £18.9 million) has been taken to reserves.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company as at 31 December 2003 are shown on page 1. Messrs N J Cantle and M J Kellard were appointed directors of the company on 16 June 2003 and 25 June 2003 respectively and Mrs S J Basaran and Mrs K M Isherwood were appointed directors of the company on 3 November 2003. Messrs G L Singleton, C A Melvin and N J Cantle resigned as directors of the company on 29 May 2003, 10 July 2003 and 3 November 2003 respectively.

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 FINANCE LIMITED
REPORT OF THE DIRECTORS (Continued)

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) that the provisions of Section 80A of the Act shall apply, in place of Section 80(4) and (5) of the Act, in relation to the giving or renewal, after the passing of this resolution, of an authority under the said Section 80;
- b) to dispense with the laying of accounts and reports before the company in general meeting, in accordance with Section 252;
- c) to dispense with the holding of Annual General Meetings in accordance with Section 366(A); and
- d) to dispense with the obligation to appoint auditors annually in accordance with Section 386.

By order of the Board



S J Basaran
Secretary
22 March 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WINTERTHUR FINANCE LIMITED

We have audited the financial statements on pages 5 to 12.

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 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 period then ended and have been properly prepared in accordance with the Companies Act 1985.



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

14 SEPTEMBER 2004

WINTERTHUR FINANCE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Interest receivable and similar income	3	2,244	2,427
Interest payable and similar charges	4	<u>(2,069)</u>	<u>(4,431)</u>
Gross profit / (loss)		175	(2,004)
Administrative expenses		(3,729)	(14,597)
Adjustments to value of investments	5	<u>38</u>	<u>(2,509)</u>
Loss on ordinary activities before taxation	8	(3,516)	(19,110)
Taxation on loss on ordinary activities	9	<u>680</u>	<u>224</u>
Loss for the financial year	15	<u>(2,836)</u>	<u>(18,886)</u>

There are no recognised gains or losses other than those included in the Profit and Loss Account.

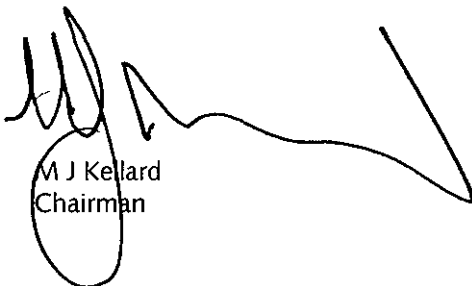
All results arise from continuing activities.

The notes on pages 7 to 12 form part of these financial statements.

WINTERTHUR FINANCE LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
INVESTMENTS			
Other investments other than loans	10	7,416	7,528
Other loans	11	<u>35,697</u>	<u>43,067</u>
		<u>43,113</u>	<u>50,595</u>
CURRENT ASSETS			
Debtors	12	34,413	36,707
Cash at bank and in hand		<u>3,868</u>	<u>1,940</u>
		38,281	38,647
Creditors: amounts falling due within one year	13	<u>(162,596)</u>	<u>(167,608)</u>
NET CURRENT LIABILITIES		<u>(124,315)</u>	<u>(128,961)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(81,202)</u>	<u>(78,366)</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account		<u>(81,202)</u>	<u>(78,366)</u>
SHAREHOLDERS' FUNDS	15	<u>(81,202)</u>	<u>(78,366)</u>

The financial statements were approved by the board of directors on 22 March 2004 and were signed on its behalf by:


V J Kellard
Chairman

The notes on pages 7 to 12 form part of these financial statements.

WINTERTHUR FINANCE 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 applicable Accounting Standards in the United Kingdom and under the historical cost convention. They have been prepared on the going concern basis on the assumption that the holding company, Winterthur Financial Services UK Holdings Limited, has agreed to provide such funds as are necessary for the company to continue to trade for the foreseeable future.

2. ACCOUNTING POLICIES

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

a) Investment income

Investment income is accounted for on a receivable basis and interest is accrued up to the balance sheet date.

b) Taxation

The charge for taxation is based on the result for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

c) Investments

Investments are stated at cost less provisions for diminution in value where applicable.

3. INTEREST RECEIVABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Income from other loans	2,159	2,422
Other interest receivable and similar income	<u>85</u>	<u>5</u>
	<u>2,244</u>	<u>2,427</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Interest payable to group undertakings	<u>2,069</u>	<u>4,431</u>

WINTERTHUR FINANCE LIMITED

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

5. ADJUSTMENTS TO VALUE OF INVESTMENTS

	2003 £'000	2002 £'000
Preference shares	<u>38</u>	<u>(2,509)</u>

6. EMPLOYEE NUMBERS AND COSTS

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

7. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments directly from the company. 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.

8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Audit and non audit fees incurred in the current and prior year are borne by another group company (and recharged to Winterthur Finance 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.

9. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
UK corporation tax		
Current tax on income for the year	(76)	(664)
Adjustment in respect of prior years	<u>(604)</u>	<u>440</u>
Total current tax	<u>(680)</u>	<u>(224)</u>

WINTERTHUR FINANCE LIMITED

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

9. TAXATION ON LOSS ON ORDINARY ACTIVITIES (Continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (2003: 30%, 2002: 30%). The differences are explained below.

	2003 £'000	2002 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	<u>(3,516)</u>	<u>(19,110)</u>
Current tax at 30% (2002: 30%)	(1,055)	(5,733)
Effects of:		
Permanent timing differences	979	5,069
Adjustments of tax charge in respect of previous periods	<u>(604)</u>	<u>440</u>
Total current tax	<u>(680)</u>	<u>(224)</u>

The company has surrendered its taxable losses for 2003 at their taxable value to other group undertakings.

Unrecognised deferred tax assets arising in respect of general provisions totalled £5,290,000 (2002: £4,299,148).

10. OTHER INVESTMENTS OTHER THAN LOANS

	Preference shares £'000
As at 1 January 2003	7,528
Redeemed	(150)
Adjustments to the value of investments	<u>38</u>
As at 31 December 2003	<u>7,416</u>

WINTERTHUR FINANCE LIMITED

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

11. OTHER LOANS

	Total £'000
As at 1 January 2003	57,549
Repayments	<u>(4,095)</u>
As at 31 December 2003	<u>53,454</u>
Provisions	
As at 1 January 2003	14,482
Change in year	<u>3,275</u>
As at 31 December 2003	<u>17,757</u>
Net carrying value	
As at 31 December 2003	<u>35,697</u>
As at 31 December 2002	<u>43,067</u>

As at 31 December 2003 £35,697,368 (2002: £42,991,000) of the net carrying value was secured by mortgages or floating charges.

12. DEBTORS

	2003 £'000	2002 £'000
Loans to group undertakings	33,690	32,947
Amounts owed by group undertakings – group relief	222	2,516
Amounts owed by group undertakings – other amounts	-	743
Other debtors	-	185
Prepayments and accrued income	<u>501</u>	<u>316</u>
	<u>34,413</u>	<u>36,707</u>

WINTERTHUR FINANCE LIMITED

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

13. CREDITORS: amounts falling due within one year

	2003 £'000	2002 £'000
Loans from holding companies	112,347	116,680
Loans from other group undertakings	50,000	50,000
Amounts owed to other group undertakings	<u>251</u>	<u>928</u>
	162,598	167,608

Loans from other group undertakings include a series of unsecured loans, which are repayable on demand. Interest is payable on the loans at rates linked to LIBOR.

14. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Shareholders' funds at 1 January	(78,366)	(59,480)
Loss on ordinary activities for the financial year	<u>(2,836)</u>	<u>(18,886)</u>
Shareholders' funds at 31 December	<u>(81,202)</u>	<u>(78,366)</u>

16. CASH FLOW STATEMENT

In accordance with Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned member 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.

17. 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 member of a group for which the holding company prepares consolidated financial statements in which the company is included and which are publicly available.

WINTERTHUR FINANCE LIMITED

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

18. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2003 (2002: £Nil) over and above those provided for in these financial statements.

19. 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 Financial Services 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.