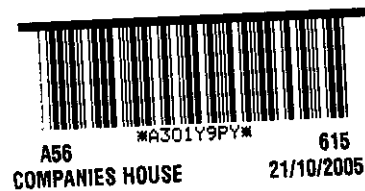


**WINTERTHUR FINANCE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2004**



# **WINTERTHUR FINANCE LIMITED**

## **DIRECTORS AND OFFICERS**

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### **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**

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The directors present their annual report together with the audited financial statements for the year ended 31 December 2004.

#### **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**

The company waived a balance owed from a fellow group undertaking of £20.7 million. Including this waiver, total loans to group undertakings decreased by £21.2 million to £12.5 million, during the year.

##### **(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 2004 the company wrote back provisions relating to these borrowing arrangements of £1.1 million.

#### **RESULTS AND DIVIDENDS**

The results of the company for the year ended 31 December 2004 are shown in the Profit and Loss Account on page 5. The directors do not recommend the payment of a dividend (2003: £Nil) and the loss for the year after taxation of £20.2 million (2003: loss of £2.8 million) has been taken to reserves.

#### **DIRECTORS AND DIRECTORS' INTERESTS**

The directors of the company as at 31 December 2004 are shown on page 1.

Under the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the directors of the company are exempt from disclosing any interests in the shares of the ultimate parent company as the company is a wholly owned subsidiary of a body corporate incorporated outside Great Britain.

**WINTERTHUR FINANCE LIMITED**  
**REPORT OF THE DIRECTORS (Continued)**

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**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  
2 March 2005

# REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

## WINTERTHUR FINANCE LIMITED

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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 2004 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  
2 March 2005

# WINTERTHUR FINANCE LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £'000	2003 £'000
Interest receivable and similar income	3	2,484	2,244
Interest payable and similar charges	4	(2,517)	(2,069)
Other income	5	<u>112</u>	<u>-</u>
<b>Gross profit</b>		<b>79</b>	<b>175</b>
Administrative expenses	6	367	(3,729)
Change in provisions on other investments other than loans	7	166	38
Waiver under seal of amounts due from fellow group undertaking	10	<u>(20,706)</u>	<u>-</u>
<b>Loss on ordinary activities before taxation</b>	11	<b>(20,094)</b>	<b>(3,516)</b>
Taxation on loss on ordinary activities	12	<u>(78)</u>	<u>680</u>
<b>Loss for the financial year</b>	18	<b><u>(20,172)</u></b>	<b><u>(2,836)</u></b>

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

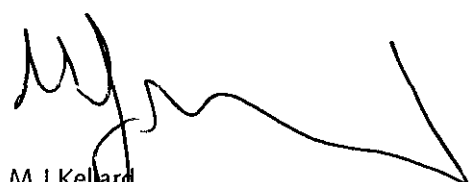
All results arise from continuing activities.

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

**WINTERTHUR FINANCE LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Note	2004 £'000	2003 £'000
<b>INVESTMENTS</b>			
Other investments other than loans	13	6,918	7,416
Other loans	14	<u>32,858</u>	<u>35,697</u>
		<u>39,776</u>	<u>43,113</u>
<b>CURRENT ASSETS</b>			
Debtors	15	13,238	34,413
Cash at bank and in hand		<u>2,657</u>	<u>3,868</u>
		15,895	38,281
Creditors: amounts falling due within one year	16	<u>(157,045)</u>	<u>(162,596)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(141,150)</u>	<u>(124,315)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(101,374)</u>	<u>(81,202)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	-	-
Profit and loss account		<u>(101,374)</u>	<u>(81,202)</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>(101,374)</u>	<u>(81,202)</u>

The financial statements were approved by the board of directors on 2 March 2005 and were signed on its behalf by:

  
M 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 2004

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### 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 basis that the holding company, Winterthur UK Financial Services Group 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 INCOME

	2004 £'000	2003 £'000
Income from other loans	2,458	2,159
Other interest receivable and similar income	26	85
	<u>2,484</u>	<u>2,244</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	2003 £'000
Interest payable to group undertakings	2,469	2,069
Other interest payable and similar charges	48	-
	<u>2,517</u>	<u>2,069</u>



# WINTERTHUR FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 5. OTHER INCOME

	2004 £'000	2003 £'000
Preference dividends receivable	<u>112</u>	<u>-</u>

### 6. ADMINISTRATIVE EXPENSES

	2004 £'000	2003 £'000
Administrative expenses	700	463
Changes in provisions	<u>(1,067)</u>	<u>3,266</u>
	<u>(367)</u>	<u>3,729</u>

### 7. ADJUSTMENTS TO VALUE OF INVESTMENTS

	2004 £'000	2003 £'000
Preference shares	<u>166</u>	<u>38</u>

### 8. EMPLOYEE NUMBERS AND COSTS

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

### 9. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments from the company in the current or prior year.

### 10. WAIVER UNDER SEAL OF AMOUNTS DUE FROM FELLOW GROUP UNDERTAKING

The balance owed from Winterthur Pension Trustees UK Limited was written off in the annual accounts of Winterthur Pension Trustees UK Limited and Winterthur Finance Limited as a waiver under seal.

# WINTERTHUR FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 11. 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.

### 12. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
UK corporation tax		
Current tax on income for the year	9	(76)
Adjustment in respect of prior years	69	(604)
Total current tax	78	(680)

#### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2003: higher) than the standard rate of corporation tax in the UK (2004: 30%, 2003: 30%). The differences are explained below.

	2004 £'000	2003 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	(20,094)	(3,516)
Current tax at 30% (2003: 30%)	(6,028)	(1,055)
Effects of:		
Permanent timing differences	(175)	979
Waiver under seal	6,212	-
UK transfer pricing adjustment	(9)	-
Balancing payment	9	-
Adjustments of tax charge in respect of previous periods	69	(604)
Total current tax	78	(680)

Unrecognised deferred tax assets arising in respect of general provisions totalled £4,992,000 (2003: £5,290,000).

# WINTERTHUR FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 13. OTHER INVESTMENTS OTHER THAN LOANS

	Preference shares £'000
As at 1 January 2004	11,888
Repayments	(664)
Write offs	(2,000)
As at 31 December 2004	9,224
<b>Provisions</b>	
As at 1 January 2004	4,472
Reduction	(166)
Write offs	(2,000)
As at 31 December 2004	2,306
<b>Net carrying value</b>	
As at 31 December 2004	6,918
As at 31 December 2003	7,416

### 14. OTHER LOANS

	Total £'000
As at 1 January 2004	53,454
Repayments	(3,906)
As at 31 December 2004	49,548
<b>Provisions</b>	
As at 1 January 2004	17,757
Reduction in year	(1,067)
As at 31 December 2004	16,690
<b>Net carrying value</b>	
As at 31 December 2004	32,858
As at 31 December 2003	35,697

As at 31 December 2004 £32,858,000 (2003: £35,697,000) of the net carrying value was secured by mortgages or floating charges.

# WINTERTHUR FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 15. DEBTORS

	2004 £'000	2003 £'000
Loans to group undertakings	12,487	33,690
Amounts owed by group undertakings – re taxation	171	222
Prepayments and accrued income	580	501
	<u>13,238</u>	<u>34,413</u>

### 16. CREDITORS: amounts falling due within one year

	2004 £'000	2003 £'000
Loans from holding companies	106,825	112,345
Loans from other group undertakings	50,000	50,000
Amounts owed to other group undertakings	220	251
	<u>157,045</u>	<u>162,596</u>

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.

### 17. CALLED UP SHARE CAPITAL

	2004 £	2003 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted and fully paid:</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £'000	2003 £'000
Shareholders' funds at 1 January	(81,202)	(78,366)
Loss for the financial year	<u>(20,172)</u>	<u>(2,836)</u>
Shareholders' funds at 31 December	<u>(101,374)</u>	<u>(81,202)</u>

## **WINTERTHUR FINANCE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

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#### **19. 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.

#### **20. 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.

#### **21. 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 largest group in which the results of the company are consolidated is that headed by Credit Suisse Group. The smallest group in which they are consolidated is that headed by 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.