

Company Registration Number: 19772

WLUK LIMITED
(Formerly Winterthur Life UK Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2000



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WLUK LIMITED
DIRECTORS AND OFFICERS

DIRECTORS

J C Finan (Chairman & Chief Executive Officer)
W N Hood CBE
Baroness G D Hooper
R A Ostime FIA
Professor M Kohler

APPOINTED ACTUARY

G L Singleton

COMPANY SECRETARY

K A Lockwood

REGISTERED OFFICE

Winterthur Way
Basingstoke
Hampshire
RG21 6SZ

COMPANY REGISTRATION NUMBER

19772

WLUK LIMITED
DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of long-term insurance business and associated investment activities in the United Kingdom.

REVIEW OF THE BUSINESS

The company is the market leader in Self Invested Personal Pensions, a product it pioneered some 10 years ago, and is ranked within the top quartile in the highly competitive Group Personal Pensions (GPP) market. It also offers a wide range of retirement and investment products appropriate to today's customer needs.

Gross regular premium business written by the company increased during 2000 by 17% to £184 million, including a growth in pension business of 29%. The high levels of single premium pension business achieved in the previous year were broadly maintained in 2000 with gross premiums written amounting to £249 million.

During the year the appropriateness of the endowment product as a mortgage repayment vehicle was the subject of considerable public debate by both consumer lobbies and the Financial Services Authority (FSA), particularly in view of the profound changes in the economic market and the bases under which these policies were historically sold. In common with other UK financial service organisations, continuing consumer uncertainty resulted in a substantial fall in the sale of endowments during the year. In response, and having regard to the economics within the business, the company ceased to sell the endowment product from July 2000 and also carried out an impairment review of all assets that would potentially be affected by this decision. This review resulted in an asset impairment charge of £21.6 million, as set out in Note 12 to these financial statements.

The company continues to fully support the FSA in ensuring that its endowment policyholders are aware of the potential impact the changes in the economic climate may have upon the values of their policy at the respective maturity date. It is also conducting a review of more recent sales so as to ensure the appropriateness of the endowment contracts sold in relation to identified customer requirements or preferences.

The company has constantly explored new ways of providing clients with flexible and tax efficient investment vehicles to help them plan for their retirements. Its web enabled Income Drawdown service offers Independent Financial Advisers (IFAs) a complete package of tools to help them explore this seemingly complex option in a simple and clear way. It has also been using the power of the web to provide Direct Contribution clients with ever-higher standards of administration and service. More recently, the company launched its Open-Pension stakeholder product within the GPP area. Whilst pre and post retirements solutions through IFAs represent the core focus of the business, the company has other routes to market including through its With Profits Bond sold through a number of third parties.

The company is part of the Credit Suisse Group, one of the world's leading financial service organisations which had assets under management in excess of £560 billion at 31 December 2000 and is the largest asset manager in the world handling the needs of 15 million clients world-wide. The combination of financial strength, global resources, investments in technology and an innovative approach to the market means that Winterthur Life is ideally placed to offer IFAs and their clients a powerful route to investment growth and long-term wealth creation.

On 1 June 2001 the entire long-term business and the shareholder assets and liabilities of the company were transferred for nil consideration to Colonial Life (UK) Limited and Colonial Pension Funds (UK) Limited in accordance with the terms of a scheme under Schedule 2C to the Insurance Companies Act 1982. The names of these companies were subsequently changed to Winterthur Life UK Limited and Winterthur Pension Funds (UK) Limited respectively.

WLUK LIMITED

DIRECTORS' REPORT (Continued)

RESULTS AND DIVIDENDS

The results of the company for the year ended 31 December 2000 are shown in the Profit and Loss Account on pages 6 and 7. The company made a loss in the year of £24,568,000 (1999: loss of £487,000) which has been taken to reserves.

The directors do not recommend the payment of a dividend (1999: £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company as at 31 December 2000 are shown on page 1. Mr T E Popp and Mr H-R Strickler resigned as directors of the company on 23 November 2000. 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 2000 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.

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.

WLUK LIMITED

DIRECTORS' REPORT (Continued)

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



K A Lockwood
Secretary
26 June 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF
WLUK LIMITED**

We have audited the financial statements on pages 6 to 27.

Respective Responsibility 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. 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.

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 2000 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
London
29 June 2001

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

Technical Account – Long-term Business

	Note	2000 £'000	1999 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	433,658	424,686
Outward reinsurance premiums		<u>(106,979)</u>	<u>(40,423)</u>
		326,679	384,263
Investment income	4	177,456	90,783
Unrealised gains on investments		-	205,152
Other technical income, net of reinsurance		<u>1,414</u>	<u>7,182</u>
		<u>505,549</u>	<u>687,380</u>
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(328,944)	(192,183)
Reinsurers' share		<u>25,112</u>	<u>34,851</u>
		<u>(303,832)</u>	<u>(157,332)</u>
Change in the provision for claims:			
Gross amount		(2,735)	(4,399)
Reinsurers' share		<u>(1,489)</u>	<u>2,454</u>
		<u>(4,224)</u>	<u>(1,945)</u>
		<u>(308,056)</u>	<u>(159,277)</u>
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance:			
Gross amount		4,718	(54,035)
Reinsurers' share		<u>1,405</u>	<u>16,624</u>
		6,123	(37,411)
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities		<u>19,715</u>	<u>(416,246)</u>
		<u>25,838</u>	<u>(453,657)</u>
Net operating expenses	6	(56,082)	(64,423)
Investment expenses and charges			
Investment management expenses, including interest	7	(11,069)	(11,592)
Unrealised losses on investments		<u>(202,540)</u>	-
Tax attributable to the long-term business	13	2,844	5,366
Transfers from / (to) the fund for future appropriations	24	<u>38,254</u>	<u>(1,362)</u>
Balance on the long-term business technical account		<u>(5,262)</u>	<u>2,435</u>

The notes on pages 11 to 27 form part of these financial statements.

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

Non-Technical Account

	Note	2000 £'000	1999 £'000
Balance on the long-term business technical account		(5,262)	2,435
Taxation credit attributable to balance on the long-term business technical account	13	<u>-</u>	<u>612</u>
Shareholders' pre-tax (loss) / profit from long-term business		(5,262)	3,047
Investment income	4	808	614
Unrealised gains on investments		472	-
Investment expenses and charges	7	(1,634)	(227)
Unrealised losses on investments		-	(197)
Other charges, including value adjustments	8	<u>(21,640)</u>	<u>(3,000)</u>
(Loss) / profit on ordinary activities before tax		(27,256)	237
Tax on (loss) / profit on ordinary activities	13	<u>2,688</u>	<u>(724)</u>
Retained loss for the financial year	23	<u>(24,568)</u>	<u>(487)</u>

The company has 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 11 to 27 form part of these financial statements.

WLUK LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £'000	1999 £'000
Retained loss for the financial year		(24,568)	(487)
Shareholders' funds as at 1 January		<u>59,869</u>	<u>60,356</u>
Shareholders' funds as at 31 December		<u>35,301</u>	<u>59,869</u>

The notes on pages 11 to 27 form part of these financial statements.

WLUK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000


	Note	2000 £'000	1999 £'000
ASSETS			
Investments			
Land and buildings	14	12,946	11,130
Other financial investments	15	531,675	553,959
		<u>544,621</u>	<u>565,089</u>
Assets held to cover linked liabilities	17	<u>1,793,233</u>	<u>1,826,721</u>
Reinsurers' share of technical provisions			
Long-term business provision		5,284	19,219
Claims outstanding		6,346	7,834
Technical provision for unit-linked liabilities		82,060	12,764
		<u>93,690</u>	<u>39,817</u>
Debtors			
Debtors arising out of direct insurance operations	18	4,177	9,514
Other debtors	19	25,451	40,587
		<u>29,628</u>	<u>50,101</u>
Other assets			
Cash at bank and in hand		-	1,940
Other	20	-	9,000
		<u>-</u>	<u>10,940</u>
Prepayments and accrued income			
Accrued interest and rent		6,754	5,373
Deferred acquisition costs	9	422	1,367
Other prepayments and accrued income	21	7,977	5,253
		<u>15,153</u>	<u>11,993</u>
Total assets		<u>2,476,325</u>	<u>2,504,661</u>

The notes on pages 11 to 27 form part of these financial statements.

WLUK LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2000

	Note	2000 £'000	1999 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	22	26,400	26,400
Capital contribution	23	25,000	25,000
Profit and loss account	23	<u>(16,099)</u>	<u>8,469</u>
Total shareholders' funds		<u>35,301</u>	<u>59,869</u>
Fund for future appropriations	24	<u>40,961</u>	<u>79,215</u>
Technical provisions			
Long-term business provision	25	437,798	442,516
Claims outstanding		<u>16,230</u>	<u>13,495</u>
		<u>454,028</u>	<u>456,011</u>
Technical provision for linked liabilities		<u>1,830,512</u>	<u>1,796,271</u>
Provisions for other risks and charges	26	<u>4,600</u>	<u>-</u>
Deposits received from reinsurers			
Future margins	9	<u>29,350</u>	36,077
		<u>(29,350)</u>	<u>(36,077)</u>
		<u>-</u>	<u>-</u>
Creditors			
Creditors arising out of direct insurance operations		4,280	4,729
Amounts owed to credit institutions	28	85,602	88,730
Other creditors including taxation and social security	29	<u>21,041</u>	<u>19,834</u>
		<u>110,923</u>	<u>113,293</u>
Accruals and deferred income		<u>-</u>	<u>2</u>
Total liabilities		<u>2,476,325</u>	<u>2,504,661</u>

The financial statements were approved by the board of directors on 29 June 2001 and were signed on its behalf by:

x  x

J C Finan
Chairman & Chief Executive Officer

The notes on pages 11 to 27 form part of these financial statements.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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 December 1998.

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.

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 a 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. 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 in respect of that year which are provided within the calculation of the long-term business provision; and
- terminal bonuses paid out to policyholders on maturity and included within claims paid.

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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

2. ACCOUNTING POLICIES (Continued)

f) Long-term business provision

The long-term business provision has been computed having due regard to the principles laid down in Council Directive 92/96/EEC. In particular, a prospective net premium valuation method has been adopted for participating non-linked policies whilst a gross premium valuation method has been used for non-participating non-linked policies, this being permitted by the amended Regulation 67 of the Insurance Companies Regulation 1994. 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.

g) Fund for future appropriations

Surpluses arising from with-profits and other participating long-term business, as a result of actuarial valuations of the related assets and liabilities, are appropriated by the directors to participating policyholders by way of bonuses and to shareholders by way of transfers to the non-technical account.

Any unappropriated surplus arising in long-term funds is carried forward in the fund for future appropriations. The fund for future appropriations represents all funds, the allocation of which to participating policyholders and shareholders has not been determined at the balance sheet date. Transfers between the fund for future appropriations and the long-term business technical account represent the changes in these unallocated amounts between balance sheet dates.

h) Investment income, expenses and charges

Investment income comprises income received from investments and realised investment 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.

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

i) Unrealised gains and losses on investments

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 shareholders' land and buildings, group undertakings and participating interests are taken directly to the revaluation reserve. Unrealised gains and losses on other 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 all other investments are included in the non-technical account.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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 company, are valued at open market value as determined by independent professional advisers 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 company are stated at market value based on vacant possession, less accumulated depreciation. Depreciation is charged over 50 years on buildings occupied by the company so as to write off the current value less the estimated residual value of the buildings over their estimated useful economic lives.

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.

k) Taxation

Corporation tax is calculated on the taxable profits or losses for the year.

Provision is made for deferred tax, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

The transfer of the balance on the long-term business technical account to the non-technical account is grossed up by attributable tax, using the underlying rate of corporation tax applicable to the period.

l) Policyholders' Protection Board levy

Provision is made at the balance sheet date for levies declared by the Policyholders' Protection Board before completion of the financial statements.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

2. ACCOUNTING POLICIES (Continued)

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.

3. GROSS PREMIUMS WRITTEN

All premiums are derived from contracts concluded in the United Kingdom.

Gross premiums, all of which relate to direct insurance, can be analysed as follows:

	Regular 2000 £'000	Regular 1999 £'000	Single 2000 £'000	Single 1999 £'000
Non participating:				
Life	6,428	5,830	-	-
Pensions	71	16	4,598	4,215
Permanent health	6,928	4,761	-	-
	<u>13,427</u>	<u>10,607</u>	<u>4,598</u>	<u>4,215</u>
Participating:				
Life	5,516	6,353	-	-
Pensions	674	704	-	-
	<u>6,190</u>	<u>7,057</u>	<u>-</u>	<u>-</u>
Linked:				
Life	99,754	90,077	293	16,611
Pensions	64,743	50,040	244,653	246,079
	<u>164,497</u>	<u>140,117</u>	<u>244,946</u>	<u>262,690</u>
	<u>184,114</u>	<u>157,781</u>	<u>249,544</u>	<u>266,905</u>
Comprising:				
Individual business	179,125	154,235	249,544	266,905
Group contracts	4,989	3,546	-	-
	<u>184,114</u>	<u>157,781</u>	<u>249,544</u>	<u>266,905</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

3. GROSS PREMIUMS WRITTEN (Continued)

Gross new business premiums, all of which relate to individual business, can be analysed as follows:

	Regular 2000 £'000	Regular 1999 £'000	Single 2000 £'000	Single 1999 £'000
Non participating:				
Life	2,067	1,379	-	-
Pensions	-	-	4,598	4,215
Permanent health	988	1,064	-	-
	<u>3,055</u>	<u>2,443</u>	<u>4,598</u>	<u>4,215</u>
Linked:				
Life	12,385	22,566	293	16,611
Pensions	18,236	28,323	244,653	246,079
	<u>30,621</u>	<u>50,889</u>	<u>244,946</u>	<u>262,690</u>
	<u>33,676</u>	<u>53,332</u>	<u>249,544</u>	<u>266,905</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.

4. INVESTMENT INCOME

	Long-term business technical account		Non-technical account	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Income from land and buildings	5,666	4,077	-	-
Income from other investments	69,793	60,964	808	614
Gains on the realisation of investments	101,997	25,742	-	-
	<u>177,456</u>	<u>90,783</u>	<u>808</u>	<u>614</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

5. BONUSES

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

	2000 £'000	1999 £'000
Participating contracts:		
Terminal bonus paid	13,621	12,980
Reversionary and other bonus included in the movement in the long-term business provision	<u>10,716</u>	<u>15,236</u>
	<u>24,337</u>	<u>28,216</u>
Linked contracts:		
Interim bonus paid	474	527
Bonus added to with-profit unit values	<u>597</u>	<u>1,538</u>
	<u>1,071</u>	<u>2,065</u>
	<u>25,408</u>	<u>30,281</u>

6. NET OPERATING EXPENSES

	2000 £'000	1999 £'000
Acquisition costs	28,039	35,945
Change in deferred acquisition costs	945	(530)
Administrative expenses	27,195	29,102
Reinsurance commission and profit participation	<u>(97)</u>	<u>(94)</u>
	<u>56,082</u>	<u>64,423</u>

Net operating expenses include total commissions for direct insurance, excluding payments to employees, amounting to £16,201,000 (1999: £27,254,000).

7. INVESTMENT EXPENSES AND CHARGES

	Long-term business technical account		Non-technical account	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Interest on bank loans	5,716	5,397	-	-
Investment management expenses	<u>5,353</u>	<u>6,195</u>	<u>1,634</u>	<u>227</u>
	<u>11,069</u>	<u>11,592</u>	<u>1,634</u>	<u>227</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

8. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2000 £'000	1999 £'000
Amortisation of other assets (see Note 20)	9,000	3,000
Write down of advanced commission payments to estate agencies	11,640	-
Provision for guarantees in respect of property rental payments by formerly tied estate agencies	<u>1,000</u>	<u>-</u>
	<u>21,640</u>	<u>3,000</u>

Commission payments paid in advance to tied and formerly tied estate agencies were written down following an impairment review. The write down was largely attributable to the withdrawal by the company of its endowment product.

9. FINANCIAL REINSURANCE TREATY

In 1996 the company entered into a financial reinsurance treaty with "Winterthur" Schweizerische Versicherungs-Gesellschaft AG, a fellow subsidiary of Credit Suisse Group. The economic substance of this treaty is to provide finance to the company, with repayment being made out of future loadings from policies. Under the agreement, the reinsurer will seek repayment of the finance, as to both interest and principal, only to the extent that sufficient funds are generated from the margins. The company has no obligation to make good any losses that might be sustained by the reinsurer under the treaty and does not intend to do so. The effect of this contract on the company's financial statements for the current year is as shown on the face of the balance sheet and will reduce the deferred acquisition costs asset as follows:

	2000 £'000	1999 £'000
Deferred acquisition costs gross of financial reinsurance	29,772	37,444
Deferred acquisition costs already recovered under financial reinsurance treaty	<u>(29,350)</u>	<u>(36,077)</u>
	<u>422</u>	<u>1,367</u>

The components of net loss for the year arising from the above reinsurance treaty were:

	2000 £'000	1999 £'000
Reinsurance premiums payable	(29,730)	(27,307)
Reinsurance claims receivable	20,377	33,630
Reduction / (increase) in liabilities	<u>6,727</u>	<u>(8,637)</u>
Loss on financial reinsurance transactions	<u>(2,626)</u>	<u>(2,314)</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

10. AUDITORS' REMUNERATION

The audit fees for the year amounted to £116,000 (1999: £79,000). Fees paid to KPMG for non-audit services were £746,000 (1999: £682,000).

11. EMPLOYEE NUMBERS AND COSTS

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

12. DIRECTORS' EMOLUMENTS

The emoluments paid to the directors of the company in respect of their services to the group were as follows:

	2000 £'000	1999 £'000
Aggregate emoluments	388	358
Aggregate pension contributions	99	88
Excess retirement benefits of former directors	20	22
	507	468

One director was covered by defined benefits pension arrangements.

The emoluments, excluding pension contributions, of the highest paid director were £301,000 (1999: £288,000) and the amount of his accrued pension at the end of the year was £68,306 per annum (1999: £58,489 per annum).

13. TAXATION

	Long-term business technical account		Non-technical account	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
UK corporation tax charge / (credit)	(120)	(3,978)	(2,688)	112
Tax attributable to balance on long-term business technical account	-	-	-	612
	(120)	(3,978)	(2,688)	724
Deferred tax	(2,724)	(1,388)	-	-
	(2,844)	(5,366)	(2,688)	724

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

14. LAND AND BUILDINGS

	Investment properties £'000	Properties for own use £'000	Total £'000
Cost or valuation			
As at January	5,351	7,100	12,451
Disposals	(325)	-	(325)
Revaluations	487	2,300	2,787
	<u>5,513</u>	<u>9,400</u>	<u>14,913</u>
As at 31 December			
Depreciation			
As at January	-	1,321	1,321
Charge for year	-	646	646
	<u>-</u>	<u>1,967</u>	<u>1,967</u>
As at 31 December			
Net book value			
As at 31 December 2000	<u>5,513</u>	<u>7,433</u>	<u>12,946</u>
As at 31 December 1999	<u>5,351</u>	<u>5,779</u>	<u>11,130</u>

The cost of investment properties and properties for own use was £5,511,000 (1999: £5,656,000) and £16,033,000 (1999: £16,033,000) respectively.

All land and buildings were held as freehold and were valued on an open market basis at 31 December 2000 by Weatherall, Green and Smith, a firm of independent Chartered Surveyors.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

15. OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Shares and other variable-yield securities and units in unit trusts	170,389	181,279	123,916	119,565
Debt securities and other fixed-income securities	294,943	289,038	278,779	273,861
Loans secured by insurance policies	363	161	363	161
Other secured loans	10,000	10,000	10,000	10,000
Deposits with credit institutions	55,980	73,481	55,980	56,095
	<u>531,675</u>	<u>553,959</u>	<u>469,038</u>	<u>459,682</u>

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

	2000 £'000	1999 £'000
Shares and other variable-yield securities and units in unit trusts	169,827	180,438
Debt securities and other fixed-income securities	294,943	289,038
	<u>464,770</u>	<u>469,476</u>

16. INVESTMENTS IN GROUP UNDERTAKINGS

As at 31 December 2000 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

The above companies were transferred to Colonial Life (UK) Limited on 1 June 2001 in accordance with the terms of the Schedule 2C Scheme referred to in the Directors' Report.

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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

17. ASSETS HELD TO COVER LINKED LIABILITIES

	Current value		Cost	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Assets held to cover linked liabilities	<u>1,793,233</u>	<u>1,826,721</u>	<u>1,612,736</u>	<u>1,473,731</u>

Included within assets held to cover linked liabilities are freehold and leasehold properties that have been valued by independent professional advisers within the following years of account:

Year of account	Value of properties valued during the year of account £'000
1998	5,914
1999	9,118
2000	8,575

18. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2000 £'000	1999 £'000
Amounts due from policyholders	3,448	1,523
Amounts due from intermediaries	<u>729</u>	<u>7,991</u>
	<u>4,177</u>	<u>9,514</u>

19. OTHER DEBTORS

	2000 £'000	1999 £'000
Amounts owed by group undertakings	9,796	25,856
Taxation recoverable	13,935	10,658
Other debtors	<u>1,720</u>	<u>4,073</u>
	<u>25,451</u>	<u>40,587</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

20. OTHER ASSETS - OTHER

The other asset – other represents the value attributed to the shareholders' interest in the long-term fund, arising from the internal transfer of business within the long-term fund. The asset was being amortised over five years, commencing in 1998, to reflect the recognition of the margins of the business transferred. Following an impairment review as a consequence of the withdrawal of the endowment product, the asset was fully amortised in the year ended 31 December 2000. The movement in the asset can be analysed as follows:

	2000 £'000	1999 £'000
Cost		
As at January	<u>15,000</u>	<u>15,000</u>
As at 31 December	<u>15,000</u>	<u>15,000</u>
Amortisation		
As at January	6,000	3,000
Charge for year	3,000	3,000
Write-off off asset	<u>6,000</u>	<u>-</u>
As at 31 December	<u>15,000</u>	<u>6,000</u>
Net book value		
As at 31 December	<u>-</u>	<u>9,000</u>

21. OTHER PREPAYMENTS AND ACCRUED INCOME

	2000 £'000	1999 £'000
Deferred tax on deferred acquisition costs	<u>7,977</u>	<u>5,253</u>

22. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised, allotted and fully paid:		
1,400,000 (1999: 1,400,000) ordinary shares of £1 each	1,400	1,400
25,000,000 (1999: 25,000,000) ordinary shares of £1 each - non-voting	<u>25,000</u>	<u>25,000</u>
	<u>26,400</u>	<u>26,400</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

23. RESERVES

	Capital contribution £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2000	25,000	8,469	33,469
Retained loss for the year	-	(24,568)	(24,568)
Balance as at 31 December 2000	<u>25,000</u>	<u>(16,099)</u>	<u>8,901</u>

24. FUND FOR FUTURE APPROPRIATIONS

	2000 £'000	1999 £'000
Balance as at 1 January	79,215	77,853
Transfer from / (to) technical account – long-term business	<u>(38,254)</u>	<u>1,362</u>
Balance as at 31 December	<u>40,961</u>	<u>79,215</u>

25. LONG-TERM BUSINESS PROVISION

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

	2000	1999
Rates of interest:		
Life non-profit	3.30% net	3.00% net
Life with-profit	2.25% net	2.50% net
Pensions non-profit	4.10%	3.75%
Pensions with-profit	2.625%	3.25%
Immediate annuities	4.50%	4.00%

Mortality tables:

Life policies, pension policies and deferred annuities	Males AM (80) Females AF (80)
Immediate annuities	80% Males IM (80) c2010 and PM (80) c2010 80% Females IF (80) c2010 and PF (80) c2010

In common with other life offices in the United Kingdom, the company has written pension transfer and opt out business. A provision of £2,100,000 (1999: £3,500,000) has been made in respect of rectification and review costs of 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 Personal Investment Authority. 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

26. PROVISIONS FOR OTHER RISKS AND CHARGES

	2000 £'000	1999 £'000
Balance as at 1 January	-	-
Charge for the year	<u>4,600</u>	<u>-</u>
Balance as at 31 December	<u>4,600</u>	<u>-</u>

The charge for the year comprises provisions in respect of various guarantees provided by the company to third parties in relation to financial transactions entered into by formerly tied estate agencies.

Guarantees amounting to £1,000,000 relate to two property leases and will be payable to the landlords over the period of the remaining lease, on average 12 years. As at 31 December 2000 payments were being made under the guarantee and no subletting arrangements were in place to mitigate the cost of the guarantee.

Other guarantees amounting to £3,600,000 will become payable upon the completion of various terms attaching to the contracts to which they relate. Full provision has been made in these financial statements to reflect the anticipated claim under these guarantees within the next 12 months. Any amounts payable under the guarantees are recoverable from other group undertakings, and a corresponding asset is included elsewhere within these financial statements.

27. DEFERRED TAXATION

A net deferred tax asset has been recognised in the financial statements and is included in other prepayments and accrued income (Note 21).

In addition to the above, there is a provision for deferred tax in respect of linked business of £9,042,000 (1999: £9,559,000) included in technical provisions for linked liabilities, and £5,206,000 (1999: £5,235,000) included in non-linked liabilities.

Unprovided deferred tax balances, arising on the deferral of pensions business acquisition costs, totalled £2,079,000 (1999: £1,865,000).

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

28. AMOUNTS OWED TO CREDIT INSTITUTIONS

	2000 £'000	1999 £'000
Bank loans - secured	16,621	14,259
- unsecured	68,981	74,471
	85,602	88,730

The secured bank loans are secured on the unit linked properties of the company. Interest is payable on these loans at variable rates between base rate and 3.5% per annum above base rate and fixed rates between 9.5% per annum and 12.5% per annum. The loans are repayable as shown below:

	2000 £'000	1999 £'000
In less than one year	4,214	4,596
Between one and two years	2,843	2,105
Between two and five years	4,991	4,614
In five years or more	4,573	2,944
	16,621	14,259

The unsecured bank loan is a liability in respect of a mark-to-market deposit agreement, the value of which is based on the movements in the FTSE 100 Share Index.

29. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2000 £'000	1999 £'000
Bank overdrafts	17	-
Amounts owed to group undertakings	13,282	17,729
Other creditors	7,742	2,105
	21,041	19,834

Except as indicated in Note 28, all creditors are payable within a period of five years.

30. ASSETS REPRESENTING THE LONG-TERM FUND

The total assets shown on page 9 include £2,443,827,000 (1999: £2,444,803,000) attributable to the long-term business fund of the company.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

31. CONTINGENT LIABILITIES

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 114 property leases. The outstanding lease terms range from 1 to 15 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 £10,967,000 (1999: £12,267,000). £1,000,000 (1999: £Nil) of this potential liability has been provided for in these financial statements.

	2000 £'000	1999 £'000
Maximum potential liabilities (before tax) under rent guarantees, net of amounts provided	<u>9,967</u>	<u>12,267</u>

b) In addition to the rental payments mentioned above, the company has also guaranteed various other payments in respect of tied agents. The maximum possible liability, in the unlikely event that all these payments had to be met by the company, is shown below.

	2000 £'000	1999 £'000
Maximum potential liabilities (before tax) under other guarantees	<u>-</u>	<u>1,500</u>

c) The company guaranteed the rental payments under a lease of the premises of a fellow subsidiary. This lease ended in 2000 and the maximum potential liability under this guarantee is £Nil (1999: £77,143).

d) During the year the administration of the certain Self Invested Personal Pension plans was transferred to a subsidiary undertaking, Personal Pension Management Limited. The company has given an indemnity to Personal Pension Management Limited in relation to any errors made by the company in the administration of the Self Invested Personal Pension plans in the period prior to the plans being transferred. No provision for any potential costs payable under this indemnity has been made in the financial statements.

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

32. 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.

33. 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

34. 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.