

WLUK LIMITED
(Formerly Winterthur Life UK Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2001



WLUK LIMITED
DIRECTORS AND OFFICERS

DIRECTORS

C A Melvin (Chief Executive Officer)
W N Hood CBE
Baroness G D Hooper
R A Ostime FIA

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 2001.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

On 1 June 2001 the entire assets and liabilities of the company's long-term business and shareholder fund, with the exception of £500,000, were transferred to Colonial Life (UK) Limited and Colonial Pension Funds (UK) Limited in accordance with the terms of a scheme under Schedule 2C of the Insurance Companies Act 1982. £500,000 of shareholder fund assets were left in the company in order to meet Financial Services Authority (FSA) solvency requirements whilst the company remains authorised under Section 44(2) of the Financial Services and Markets Act 2000. The company has not traded since the transfer date and has applied to the FSA for authorisation to be withdrawn. Further details in relation to the transfer of business are included in Note 31 to these financial statements.

The directors do not expect the company to trade in the forthcoming year

RESULTS AND DIVIDENDS

The results of the company for the year ended 31 December 2001 are shown in the Profit and Loss Account on pages 5 and 6. The company made a loss in the year of £9,801,000 (2000: loss of £24,568,000) which has been taken to reserves.

The directors do not recommend the payment of a dividend (2000: £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company as at 31 December 2001 are shown on page 1. Mr C A Melvin was appointed as a director of the company on 21 August 2001. Mr J C Finan and Professor M Kohler resigned as directors on 21 August and 30 November 2001 respectively. The other directors held office throughout the year. Post year-end, on 9 April 2002, Mr N J Cattle and Mr G L Singleton were appointed as directors of the company.

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 2001 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.

WLUK 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.

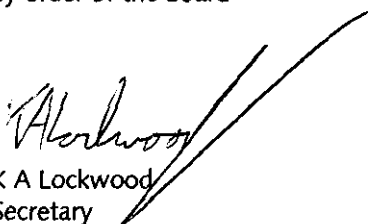
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such 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


K A Lockwood
Secretary
15 April 2002

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

We have audited the financial statements on pages 5 to 25.

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 2001 and of its loss for the year 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

15 April 2002

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

Technical Account – Long-term Business

	Note	2001 £'000	2000 £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	234,176	433,658
Outward reinsurance premiums		<u>(34,978)</u>	<u>(106,979)</u>
		199,198	326,679
Investment income	4	33,076	177,456
Other technical income, net of reinsurance		<u>268</u>	<u>1,414</u>
		<u>232,542</u>	<u>505,549</u>
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(120,156)	(328,944)
Reinsurers' share		<u>10,329</u>	<u>25,112</u>
		<u>(109,827)</u>	<u>(303,832)</u>
Change in the provision for claims:			
Gross amount		16,230	(2,735)
Reinsurers' share		<u>(6,346)</u>	<u>(1,489)</u>
		<u>9,884</u>	<u>(4,224)</u>
		<u>(99,943)</u>	<u>(308,056)</u>
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance:			
Gross amount		437,798	4,718
Reinsurers' share		<u>(5,284)</u>	<u>1,405</u>
		432,514	6,123
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities		<u>1,748,452</u>	<u>19,715</u>
		<u>2,180,966</u>	<u>25,838</u>
Net operating expenses	6	(13,444)	(56,082)
Investment expenses and charges			
Investment management expenses, including interest	7	(4,852)	(11,069)
Unrealised losses on investments		<u>(82,825)</u>	<u>(202,540)</u>
Other technical charges, net of reinsurance	31	(2,254,701)	-
Tax attributable to the long-term business	13	(7,977)	2,844
Transfers from the fund for future appropriations	23	<u>40,961</u>	<u>38,254</u>
Balance on the long-term business technical account		<u>(9,273)</u>	<u>(5,262)</u>

All business was transferred to Colonial Life (UK) Limited and Colonial Pension Funds (UK) Limited on 1 June 2001.

The notes on pages 10 to 25 form part of these financial statements.

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

Non-Technical Account

	Note	2001 £'000	2000 £'000
Balance on the long-term business technical account		<u>(9,273)</u>	<u>(5,262)</u>
Shareholders' pre-tax loss from long-term business		(9,273)	(5,262)
Investment income	4	664	808
Unrealised gains on investments		-	472
Investment expenses and charges	7	(1,322)	(1,634)
Unrealised losses on investments		(306)	-
Other charges, including value adjustments	8	<u>147</u>	<u>(21,640)</u>
Loss on ordinary activities before tax		(10,090)	(27,256)
Tax on loss on ordinary activities	13	<u>289</u>	<u>2,688</u>
Retained loss for the financial year	22	<u>(9,801)</u>	<u>(24,568)</u>

The company has no recognised gains or losses other than those included in the Profit and Loss Account.

All business was transferred to Colonial Life (UK) Limited and Colonial Pension Funds (UK) Limited on 1 June 2001.

The notes on pages 10 to 25 form part of these financial statements.

WLUK LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £'000	2000 £'000
Retained loss for the financial year	(9,801)	(24,568)
Transfer of capital contribution to Colonial Life (UK) Limited	(25,000)	-
Shareholders' funds as at 1 January	<u>35,301</u>	<u>59,869</u>
Shareholders' funds as at 31 December	<u>500</u>	<u>35,301</u>

The notes on pages 10 to 25 form part of these financial statements.

WLUK LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
ASSETS			
Investments			
Land and buildings	14	-	12,946
Other financial investments	15	-	531,675
		<u>-</u>	<u>544,621</u>
Assets held to cover linked liabilities	17	-	<u>1,793,233</u>
Reinsurers' share of technical provisions			
Long-term business provision		-	5,284
Claims outstanding		-	6,346
Technical provision for unit-linked liabilities		-	82,060
		<u>-</u>	<u>93,690</u>
Debtors			
Debtors arising out of direct insurance operations	18	-	4,177
Other debtors	19	-	25,451
		<u>-</u>	<u>29,628</u>
Other assets			
Cash at bank and in hand		<u>500</u>	<u>-</u>
Prepayments and accrued income			
Accrued interest and rent		-	6,754
Deferred acquisition costs	9	-	422
Other prepayments and accrued income	20	-	7,977
		<u>-</u>	<u>15,153</u>
Total assets		<u><u>500</u></u>	<u><u>2,476,325</u></u>

The notes on pages 10 to 25 form part of these financial statements.

WLUK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	21	26,400	26,400
Capital contribution	22	-	25,000
Profit and loss account	22	(25,900)	(16,099)
Total shareholders' funds		<u>500</u>	<u>35,301</u>
Fund for future appropriations	23	<u>-</u>	<u>40,961</u>
Technical provisions			
Long-term business provision	24	-	437,798
Claims outstanding		-	16,230
		<u>-</u>	<u>454,028</u>
Technical provision for linked liabilities		<u>-</u>	<u>1,830,512</u>
Provisions for other risks and charges	25	<u>-</u>	<u>4,600</u>
Deposits received from reinsurers			
Future margins	9	-	29,350
		<u>-</u>	<u>(29,350)</u>
		<u>-</u>	<u>-</u>
Creditors			
Creditors arising out of direct insurance operations		-	4,280
Amounts owed to credit institutions	27	-	85,602
Other creditors including taxation and social security	28	-	21,041
		<u>-</u>	<u>110,923</u>
Total liabilities		<u>500</u>	<u>2,476,325</u>

The financial statements were approved by the board of directors on 15 April 2002 and were signed on its behalf by:



G L Singleton
Chief Financial Officer

The notes on pages 10 to 25 form part of these financial statements.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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) Changes in accounting policies

Financial Reporting Standard (FRS) 18 "Accounting Policies" has been adopted in the current year, but has not required any change in accounting policy.

The provisions of FRS 19 "Deferred Tax" have not been adopted in these financial statements on the basis that adoption of the Standard only becomes mandatory for accounting periods ending on or after 23 January 2002.

b) Basis of accounting for long-term insurance business

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

c) 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.

d) 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.

e) 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

2. ACCOUNTING POLICIES (Continued)

f) 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.

g) 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.

h) 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.

i) 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

2. ACCOUNTING POLICIES (Continued)

j) 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 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.

k) 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 company 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.

l) 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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.

a) Gross premium income, all of which relates to direct insurance, can be analysed as follows:

	Regular premiums		Single premiums	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Non participating:				
Life	1,650	6,428	3,599	-
Pensions	(17)	71	192	4,598
Permanent health	19	6,928	-	-
	<u>1,652</u>	<u>13,427</u>	<u>3,791</u>	<u>4,598</u>
Participating:				
Life	3,030	5,516	118	-
Pensions	461	674	1,264	-
Permanent health	165	-	-	-
	<u>3,656</u>	<u>6,190</u>	<u>1,382</u>	<u>-</u>
Linked:				
Life	42,116	99,754	227	293
Pensions	43,808	64,743	137,544	244,653
	<u>85,924</u>	<u>164,497</u>	<u>137,771</u>	<u>244,946</u>
	<u>91,232</u>	<u>184,114</u>	<u>142,944</u>	<u>249,544</u>
Comprising:				
Individual business	91,195	179,125	142,944	249,544
Group contracts	37	4,989	-	-
	<u>91,232</u>	<u>184,114</u>	<u>142,944</u>	<u>249,544</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

3. GROSS PREMIUMS WRITTEN (Continued)

b) Gross new business premium income, all of which relates to individual business, can be analysed as follows:

	Regular premiums		Single premiums	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Non participating:				
Life	1,160	2,067	3,599	-
Pensions	97	-	192	4,598
Permanent health	332	988	-	-
	<u>1,589</u>	<u>3,055</u>	<u>3,791</u>	<u>4,598</u>
Participating:				
Life	-	-	118	-
Pensions	46	-	1,264	-
Permanent health	-	-	-	-
	<u>46</u>	<u>-</u>	<u>1,382</u>	<u>-</u>
Linked:				
Life	257	12,385	227	293
Pensions	15,702	18,236	137,544	244,653
	<u>15,959</u>	<u>30,621</u>	<u>137,771</u>	<u>244,946</u>
	<u>17,594</u>	<u>33,676</u>	<u>142,944</u>	<u>249,544</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	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Income from land and buildings	2,435	5,666	-	-
Income from other investments	30,641	69,793	268	808
Gains on the realisation of investments	-	101,997	396	-
	<u>33,076</u>	<u>177,456</u>	<u>664</u>	<u>808</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

5. BONUSES

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

	2001 £'000	2000 £'000
Participating contracts:		
Terminal bonus paid	6,279	13,621
Reversionary and other bonus included in the movement in the long-term business provision	-	10,716
	<u>6,279</u>	<u>24,337</u>
Linked contracts:		
Interim bonus paid	86	474
Bonus added to with-profit unit values	-	597
	<u>86</u>	<u>1,071</u>
	<u>6,365</u>	<u>25,408</u>

6. NET OPERATING EXPENSES

	2001 £'000	2000 £'000
Acquisition costs	5,301	28,039
Change in deferred acquisition costs	422	945
Administrative expenses	7,763	27,195
Reinsurance commission and profit participation	(42)	(97)
	<u>13,444</u>	<u>56,082</u>

Net operating expenses include total commissions for direct insurance, excluding payments to employees, amounting to £2,277,000 (2000: £16,201,000).

7. INVESTMENT EXPENSES AND CHARGES

	Long-term business Technical account		Non-technical account	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Interest on bank loans	2,790	5,716	-	-
Investment management expenses	665	5,353	1,322	1,634
Losses on the realisation of investments	1,397	-	-	-
	<u>4,852</u>	<u>11,069</u>	<u>1,322</u>	<u>1,634</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

8. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2001 £'000	2000 £'000
Amortisation of other asset	-	9,000
Write-back / write down of advanced commission payments to estate agencies	(147)	11,640
Provision for guarantees in respect of property rental payments by formerly tied estate agencies	-	1,000
	(147)	21,640

The other asset represented 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 by the company of the endowment product, the asset was fully amortised in 2000.

Commission payments paid in advance to tied and formerly tied estate agencies were written down in 2000 following an impairment review. Again, 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 2000 is as shown on the face of the balance sheet and will reduce the deferred acquisition costs asset as follows:

	2001 £'000	2000 £'000
Deferred acquisition costs gross of financial reinsurance	-	29,772
Deferred acquisition costs already recovered under financial reinsurance treaty	-	(29,350)
	-	422

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

	2001 £'000	2000 £'000
Reinsurance premiums payable	(8,279)	(29,730)
Reinsurance claims receivable	727	20,377
Reduction in liabilities	6,699	6,727
	(853)	(2,626)

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

10. AUDITORS' REMUNERATION

The audit fees for the year amounted to £40,000 (2000: £116,000). Fees paid to KPMG for non-audit services were £80,000 (2000: £746,000).

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 directors did not receive any emoluments directly from the company (2000: £Nil). The directors' emoluments were paid by Winterthur Group Services Limited, another group undertaking, and have not been specifically apportioned across individual companies.

Directors' emoluments have been disclosed in the financial statements of Winterthur UK Financial Services Group Limited.

13. TAXATION

	Long-term business technical account		Non-technical account	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
UK corporation tax credit	-	(120)	(289)	(2,688)
Deferred tax charge / (credit)	<u>7,977</u>	<u>(2,724)</u>	<u>-</u>	<u>-</u>
	<u>7,977</u>	<u>(2,844)</u>	<u>(289)</u>	<u>(2,688)</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

14. LAND AND BUILDINGS

	Investment Properties £'000	Properties for own use £'000	Total £'000
Cost or valuation			
As at 1 January	5,513	9,400	14,913
Transfer to Colonial Life (UK) Limited	<u>(5,513)</u>	<u>(9,400)</u>	<u>(14,913)</u>
As at 31 December	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
As at 1 January	-	1,967	1,967
Write-back of depreciation	<u>-</u>	<u>(1,967)</u>	<u>(1,967)</u>
As at 31 December	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
As at 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2000	<u>5,513</u>	<u>7,433</u>	<u>12,946</u>

The cost of investment properties and properties for own use was £Nil (2000: £5,511,000) and £Nil (2000: £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 2001

15. OTHER FINANCIAL INVESTMENTS

	Current value		Cost	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Shares and other variable-yield securities and units in unit trusts	-	170,389	-	123,916
Debt securities and other fixed-income securities	-	294,943	-	278,779
Loans secured by insurance policies	-	363	-	363
Other secured loans	-	10,000	-	10,000
Deposits with credit institutions	-	55,980	-	55,980
	<u>-</u>	<u>531,675</u>	<u>-</u>	<u>469,038</u>

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

	2001 £'000	2000 £'000
Shares and other variable-yield securities and units in unit trusts	-	169,827
Debt securities and other fixed-income securities	-	294,943
	<u>-</u>	<u>464,770</u>

16. INVESTMENTS IN GROUP UNDERTAKINGS

On 1 June 2001 Personal Pension Management Limited, Winterthur Pension Trustees UK Limited, Provident Life Association Limited and Salisbury Castle Properties Limited were transferred as part of the net assets of the company to Colonial Life (UK) Limited.

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
Provident Life Association Limited	Dormant

Salisbury Castle Properties Limited was acquired in February 2001 for a cash consideration of £2.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

17. ASSETS HELD TO COVER LINKED LIABILITIES

	Current value		Cost	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Assets held to cover linked liabilities	-	1,793,233	-	1,612,736

Included within assets held to cover linked liabilities were 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

	2001 £'000	2000 £'000
Amounts due from policyholders	-	3,448
Amounts due from intermediaries	-	729
	-	4,177

19. OTHER DEBTORS

	2001 £'000	2000 £'000
Amounts owed by group undertakings	-	9,796
Taxation recoverable	-	13,935
Other debtors	-	1,720
	-	25,451

20. OTHER PREPAYMENTS AND ACCRUED INCOME

	2001 £'000	2000 £'000
Deferred tax on deferred acquisition costs	-	7,977

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

21. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised, allotted and fully paid:		
1,400,000 (2000: 1,400,000) ordinary shares of £1 each	1,400	1,400
25,000,000 (2000: 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>

22. RESERVES

	Capit: contribution £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2001	25,000	(16,099)	8,901
Retained loss for the year	-	(9,801)	(9,801)
Transfer to Colonial Life (UK) Limited	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Balance as at 31 December 2001	<u>-</u>	<u>(25,900)</u>	<u>(25,900)</u>

23. FUND FOR FUTURE APPROPRIATIONS

	2001 £'000	2000 £'000
Balance as at 1 January	40,961	79,215
Transfer to technical account – long-term business:		
Transfer in respect of the period to 1 June 2001 / 31 December 2000	(7,532)	(38,254)
Transfer to Colonial Life (UK) Limited	<u>(33,429)</u>	<u>-</u>
Balance as at 31 December	<u>-</u>	<u>40,961</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

24. LONG-TERM BUSINESS PROVISION

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

	2001	2000
Rates of interest:		
Life non-profit	-	3.30% net
Life with-profit	-	2.25% net
Pensions non-profit	-	4.10%
Pensions with-profit	-	2.625%
Immediate annuities	-	4.50%
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 £Nil (2000: £2,100,000) 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.

25. PROVISIONS FOR OTHER RISKS AND CHARGES

	Guaranteed property lease payments £'000	Other guarantees £'000	Total £'000
Balance as at 1 January 2001	1,000	3,600	4,600
Transfer to Winterthur Life UK Holdings Limited	-	(2,000)	(2,000)
Transfer to Colonial Life UK Limited	(1,000)	(1,600)	(2,600)
	<u> </u>	<u> </u>	<u> </u>
Balance as at 31 December 2001	-	-	-

The provisions relate to various guarantees provided by the company to third parties in relation to financial transactions entered into by formerly tied estate agencies.

The provision for other guarantees relates to guarantees given by the company that will become payable upon completion of various terms attaching to the contract to which they relate. Full provision was made in the financial statements of this company, although any amounts payable under the guarantees are recoverable from other group undertakings, and a corresponding asset is included elsewhere within these financial statements. £2,000,000 of the provision was transferred during the year to Winterthur Life UK Holdings Limited which had guaranteed to reimburse WLUK Limited for this amount of any payments.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

26. DEFERRED TAXATION

A net deferred tax asset was recognised in the financial statements as at 31 December 2000 and was included in other prepayments and accrued income (Note 20).

In addition to the above, there is a provision for deferred tax in respect of linked business of £Nil (2000: £9,042,000) included in technical provisions for linked liabilities, and £Nil (2000: £5,206,000) included in non-linked liabilities.

Unprovided deferred tax balances, arising on the deferral of pensions business acquisition costs, totalled £Nil (2000: £2,079,000).

27. AMOUNTS OWED TO CREDIT INSTITUTIONS

	2001 £'000	2000 £'000
Bank loans - secured	-	16,621
- unsecured	-	68,981
	-	85,602

The secured bank loans were secured on the unit linked properties of the company. Interest was 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 were repayable as shown below:

	2001 £'000	2000 £'000
In less than one year	-	4,214
Between one and two years	-	2,843
Between two and five years	-	4,991
In five years or more	-	4,573
	-	16,621

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

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

28. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2001 £'000	2000 £'000
Bank overdrafts	-	17
Amounts owed to group undertakings	-	13,282
Other creditors	-	7,742
	<u>-</u>	<u>21,041</u>

Except as indicated in Note 27, all creditors as at 31 December 2000 were payable within a period of five years.

29. ASSETS REPRESENTING THE LONG-TERM FUND

The total assets shown on page 8 include £Nil (2000: £2,443,827,000) attributable to the long-term business fund of the company.

30. CONTINGENT LIABILITIES

On 1 June 2001 all contingent liabilities were transferred to Colonial Life UK Limited in accordance with the terms of the Schedule 2C scheme.

31. TRANSFER OF BUSINESS

On 1 June 2001 the entire assets and liabilities of the company's long-term business and shareholder fund, with the exception of £500,000, were transferred to Colonial Life (UK) Limited and Colonial Pension Funds (UK) Limited in accordance with the terms of a scheme under Schedule 2C of the Insurance Companies Act 1982. £500,000 of shareholder fund assets were left in the company in order to meet Financial Services Authority (FSA) solvency requirements whilst the company remains authorised under Section 44(2) of the Financial Services and Markets Act 2000. The value of the net assets transferred on that date was less than the value of the long-term business technical provisions and fund for future appropriations.

	2001 £'000
Net assets transferred to:	
Colonial Life (UK) Limited	(969,396)
Colonial Pension Funds (UK) Limited	<u>(1,285,305)</u>
	(2,254,701)
Long-term business technical provisions, net of reinsurance	2,224,495
Fund for future appropriations	<u>33,429</u>
	<u>3,223</u>

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

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.

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.