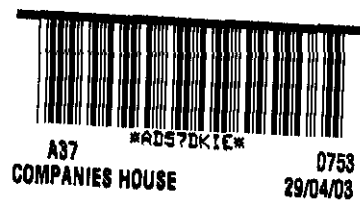


**WLUK LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2002**



**WLUK LIMITED**  
**DIRECTORS AND OFFICERS**

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**DIRECTORS**

C A Melvin (Chief Executive Officer)  
N J Cantle  
G L Singleton

**COMPANY SECRETARY**

N J Cantle

**REGISTERED OFFICE**

Winterthur Way  
Basingstoke  
Hampshire  
RG21 6SZ

**COMPANY REGISTRATION NUMBER**

19772

**WLUK LIMITED**  
**DIRECTORS' REPORT**

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The directors present their annual report together with the audited financial statements for the year ended 31 December 2002.

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company was the transaction of long-term insurance business and associated investment activities. On 1 June 2001, the company transferred all of its assets and liabilities, with the exception of £500,000, to Colonial Life (UK) Limited (now known as Winterthur Life UK Limited) and Colonial Pension Funds (UK) Limited (now known as Winterthur Pension Fund UK Limited) in accordance with the terms of a scheme under Schedule 2C of the Insurance Companies Act 1982.

In December 2002, the company was formally de-authorised as an authorised insurance company.

**RESULTS AND DIVIDENDS**

The results of the company for the year ended 31 December 2002 are shown in the Profit and Loss Account on pages 5 and 6.

The directors do not recommend the payment of a dividend (2001: £Nil).

**DIRECTORS AND DIRECTORS' INTERESTS**

The directors of the company as at 31 December 2002 are shown on page 1. Mr N J Cattle and Mr G L Singleton were appointed as directors of the company on 9 April 2002. W N Hood CBE, Baroness G D Hooper and R A Ostime FIA resigned as directors of the company on 31 December 2002. The remaining director 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 2002 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)

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#### 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



N J Cantle  
Secretary  
6 March 2003

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

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We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

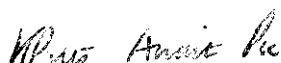
**Basis of Audit Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its result 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  
6 March 2003

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

Technical Account – Long-term Business

	Note	Discontinued operations 2002 £'000	Discontinued operations 2001 £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	3	-	234,176
Outward reinsurance premiums		-	(34,978)
		-	199,198
<b>Investment income</b>	4	-	33,076
<b>Other technical income, net of reinsurance</b>		-	268
		-	232,542
<b>Claims incurred, net of reinsurance</b>			
Claims paid:			
Gross amount		-	(120,156)
Reinsurers' share		-	10,329
		-	(109,827)
Change in the provision for claims:			
Gross amount		-	16,230
Reinsurers' share		-	(6,346)
		-	9,884
		-	(99,943)
<b>Change in other technical provisions, net of reinsurance</b>			
Long-term business provision, net of reinsurance:			
Gross amount		-	437,798
Reinsurers' share		-	(5,284)
		-	432,514
Other technical provisions, net of reinsurance		-	1,748,452
Technical provisions for linked liabilities		-	2,180,966
<b>Net operating expenses</b>	6	-	(13,444)
<b>Investment expenses and charges</b>	7	-	(4,852)
<b>Unrealised losses on investments</b>		-	(82,825)
<b>Other technical charges, net of reinsurance</b>	18	-	(2,254,701)
<b>Tax attributable to the long-term business</b>	13	-	(7,977)
<b>Transfers from the fund for future appropriations</b>	17	-	40,961
<b>Balance on the long-term business technical account</b>		-	(9,273)

All results are in respect of discontinued operations.

The notes on pages 8 to 17 form part of these financial statements.

WLUK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

**Non-Technical Account**

		Discontinued operations 2002 £'000	Discontinued operations 2001 £'000
	Note		
<b>Balance on the long-term business technical account</b>		-	(9,273)
Shareholders' pre-tax loss from long-term business		-	(9,273)
Investment income	4	-	664
Investment expenses and charges	7	-	(1,322)
Unrealised losses on investments		-	(306)
Other income	8	-	147
<b>Loss on ordinary activities before tax</b>		-	(10,090)
Tax on loss on ordinary activities	13	-	289
<b>Retained loss for the financial year</b>	16	-	(9,801)

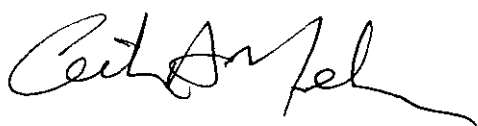
All results are in respect of discontinued operations.

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

**WLUK LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	2002 £'000	2001 £'000
<b>ASSETS</b>			
<b>Debtors</b>			
Other debtors	14	600	-
<b>Other assets</b>			
Cash at bank and in hand		-	500
<b>Total assets</b>		<u>600</u>	<u>500</u>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	15	26,400	26,400
Capital contribution	16	100	-
Profit and loss account	16	<u>(25,900)</u>	<u>(25,900)</u>
<b>Total shareholders' funds</b>		<u>600</u>	<u>500</u>

The financial statements were approved by the board of directors on 6 March 2003 and were signed on its behalf by:



C A Melvin  
 Chief Executive Officer

The notes on pages 8 to 17 form part of these financial statements.



## WLUK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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#### 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. Although the company has been de-authorised as an insurance company before 31 December 2002, the accounts have been prepared on this basis because all the transactions relevant to the accounts took place whilst the company was an authorised insurance company.

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

The provisions of FRS 19 "Deferred Tax" have been adopted for the first time in these financial statements. As a consequence, full provision has been made for deferred tax on tax assets and liabilities arising on timing differences. This has had no effect on the results for the current or prior year.

##### b) Basis of accounting for long-term insurance business

The company has adopted the 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 2002

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#### 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) 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.

## WLUK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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#### 2. ACCOUNTING POLICIES (Continued)

##### 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 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.

##### j) Taxation

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

##### k) 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.

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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.

	Regular premiums		Single premiums	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Non participating:</b>				
Life	-	1,650	-	3,599
Pensions	-	(17)	-	192
Permanent health	-	19	-	-
	-	1,652	-	3,791
<b>Participating:</b>				
Life	-	3,030	-	118
Pensions	-	461	-	1,264
Permanent health	-	165	-	-
	-	3,656	-	1,382
<b>Linked:</b>				
Life	-	42,116	-	227
Pensions	-	43,808	-	137,544
	-	85,924	-	137,771
	-	91,232	-	142,944
<b>Comprising:</b>				
Individual business	-	91,195	-	142,944
Group contracts	-	37	-	-
	-	91,232	-	142,944

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

3. GROSS PREMIUMS WRITTEN (Continued)

b) Gross new business premium income, all of which relates to individual business.

	Regular premiums		Single premiums	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b>Non participating:</b>				
Life	-	1,160	-	3,599
Pensions	-	97	-	192
Permanent health	-	332	-	-
	-	1,589	-	3,791
<b>Participating:</b>				
Life	-	-	-	118
Pensions	-	46	-	1,264
Permanent health	-	-	-	-
	-	46	-	1,382
<b>Linked:</b>				
Life	-	257	-	227
Pensions	-	15,702	-	137,544
	-	15,959	-	137,771
	-	17,594	-	142,944

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	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Income from land and buildings	-	2,435	-	-
Income from other investments	-	30,641	-	268
Gains on the realisation of investments	-	-	-	396
	-	33,076	-	664

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

5. BONUSES

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

	2002 £'000	2001 £'000
<b>Participating contracts:</b>		
Terminal bonuses included within claims paid	-	6,279
<b>Linked contracts:</b>		
Interim bonuses included within claims paid	-	86
	<u>-</u>	<u>6,365</u>

6. NET OPERATING EXPENSES

	2002 £'000	2001 £'000
Acquisition costs	-	5,301
Change in deferred acquisition costs	-	422
Administrative expenses	-	7,763
Reinsurance commissions and profit participation	-	(42)
	<u>-</u>	<u>13,444</u>

Net operating expenses include total commissions for direct insurance, excluding payments to employees, amounting to £Nil (2001: £2,277,000).

7. INVESTMENT EXPENSES AND CHARGES

	Long-term business Technical account		Non-technical account	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Interest on bank loans	-	2,790	-	-
Investment management expenses	-	665	-	1,322
Losses on the realisation of investments	-	1,397	-	-
	<u>-</u>	<u>4,852</u>	<u>-</u>	<u>1,322</u>

## WLUK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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#### 8. OTHER INCOME

	2002 £'000	2001 £'000
Write-back of advanced commission payments to estate agencies	<u>-</u>	<u>147</u>

#### 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. This reinsurance treaty transferred to Winterthur Life UK Limited in accordance with the terms of the Schedule 2C scheme.

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

	2002 £'000	2001 £'000
Reinsurance premiums payable	-	(8,279)
Reinsurance claims receivable	-	727
Reduction in liabilities	<u>-</u>	<u>6,699</u>
Loss on financial reinsurance transactions	<u>-</u>	<u>(853)</u>

#### 10. AUDITORS' REMUNERATION

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

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

#### 11. EMPLOYEE NUMBERS AND COSTS

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

#### 12. DIRECTORS' EMOLUMENTS

The directors did not receive any emoluments directly from the company (2001: £Nil). The directors' emoluments were paid by other group undertakings and have not been specifically apportioned across individual companies.

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

WLUK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

13. TAXATION

	Long-term business technical account		Non-technical account	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
UK corporation tax credit	-	-	-	(289)
Deferred tax charge	-	7,977	-	-
	<u>-</u>	<u>7,977</u>	<u>-</u>	<u>(289)</u>

14. OTHER DEBTORS

	2002 £'000	2001 £'000
Amount owed by holding company	<u>600</u>	<u>-</u>

15. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
<b>Authorised, allotted and fully paid:</b>		
1,400,000 (2001: 1,400,000) ordinary shares of £1 each	1,400	1,400
25,000,000 (2001: 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>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2002	26,400	-	(25,900)	500
Capital contribution from Winterthur Life UK Holdings Limited	-	100	-	100
Balance as at 31 December 2002	<u>26,400</u>	<u>100</u>	<u>(25,900)</u>	<u>600</u>



**WLUK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**

**17. FUND FOR FUTURE APPROPRIATIONS**

	2002 £'000	2001 £'000
Balance as at 1 January	-	40,961
Transfer to technical account – long-term business:		
Transfer in respect of the period to 1 June 2001	-	(7,532)
Transfer to Colonial Life (UK) Limited (now known as Winterthur Life UK Limited)	-	(33,429)
	-	-
Balance as at 31 December	-	-

**18. 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 (now known as Winterthur Life UK Limited) and Colonial Pension Funds (UK) Limited (now known as Winterthur 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 remained 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	(1,285,305)
	(2,254,701)
Long-term business technical provisions, net of reinsurance	2,224,495
Fund for future appropriations	33,429
	3,223

**19. 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.

## WLUK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

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#### 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 subsidiary 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 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.