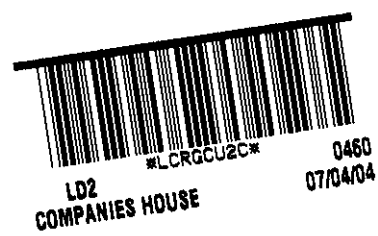


Refuge Assurance plc  
Report and financial statements  
for the year ended 31 December 2003

**Registered Number 1364**



**Refuge Assurance plc**  
**Report and financial statements**  
**for the year ended 31 December 2003**

**Contents**

Directors and auditors for the year ended 31 December 2003.....	1
Directors' report for the year ended 31 December 2003.....	2
Independent auditors' report to the members of Refuge Assurance PLC .....	3
Profit and loss account - Technical account for the year ended 31 December 2003.....	4
Profit and loss account - Non-technical account for the year ended 31 December 2003 .....	4
Balance sheet as at 31 December 2003.....	5
Statement of accounting policies .....	6
Notes to the financial statements for the year ended 31 December 2003 .....	7

# **Refuge Assurance plc**

## **Directors and auditors for the year ended 31 December 2003**

### **Directors**

Mike Yardley  
Stephen Shone  
Murray Ross

### **Secretary**

Bernadette Barber

### **Auditors**

PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

### **Registered Office**

55 GraceChurch Street  
London  
EC3V 0RL

### **Registered Number**

1364

# Refuge Assurance plc

## Directors' report for the year ended 31 December 2003

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

### Principal activity

The principal activity of the company was the transaction of long-term insurance business in the United Kingdom, the Channel Islands and the Isle of Man.

On 11 December 2000 the High Court gave its approval for a scheme under Part 1 of Schedule 2C to the Insurance Companies Act 1982 under which the whole of the long term business and the other assets and liabilities of the company would be transferred to the Royal London Mutual Insurance Society Limited. The scheme became effective on 1 January 2001.

The company has not traded since.

### Results and dividends

The profit for the year, after tax, was £20,000 (2002: £56,000). The directors do not propose the payment of a dividend (2002: £nil) and, accordingly, an amount of £20,000 was transferred to reserves (2002: £56,000 transferred to reserves).

### Directors and their interests

The directors who held office during the year are given below:

M Yardley  
S Shone  
M Ross

None of the directors in office at 31 December 2003 has or has had an interest in any group undertaking.

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

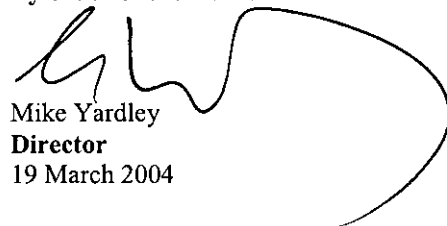
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

PricewaterhouseCoopers are the incumbent auditors. PricewaterhouseCoopers are the incumbent auditors. A resolution re-appointing the auditors to the company will be proposed at the Annual General Meeting.

### By order of the Board



Mike Yardley  
Director  
19 March 2004

# Refuge Assurance plc

## Independent auditors' report to the members of Refuge Assurance plc

We have audited the financial statements which comprise the profit and loss account – non-technical account and the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### 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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Manchester  
19 March 2004

## Refuge Assurance plc

### Profit and loss account – Technical account for the year ended 31 December 2003

No profit and loss account – Technical account – long term business has been produced as there have been no general and life business transactions in either the current or prior year, consequently no business gains or losses have been recorded.

### Profit and loss account – Non technical account for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Balance on the long term business technical account		-	-
Shareholders' pre-tax result from long term business		-	-
Investment income, including realised gains	1	70	70
Unrealised (losses)/gains on investments	1	(37)	14
Other charges	2	(4)	(4)
Profit on ordinary activities before tax		29	80
Tax on profit on ordinary activities	3(i)	(9)	(24)
Retained profit for the financial year	6(i)	20	56

All of the above amounts are in respect of discontinued operations.

The company has no other recognised gains and losses other than the profit for the period.

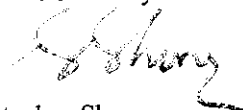
The accounting policies and notes on pages 6 to 9 form an integral part of these financial statements.

# Refuge Assurance plc

## Balance sheet as at 31 December 2003

	Notes	2003 £000	2002 £000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	4	975	1,012
<b>Debtors</b>			
Amounts due from group undertakings		116	71
<b>Prepayments and accrued income</b>			
Other prepayments and accrued income		22	22
<b>Total assets</b>		<b>1,113</b>	<b>1,105</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	5,6(ii)	1,189	1,189
Share premium account	6(ii)	6,801	6,801
Capital reserve	6(ii)	900	900
Profit and loss account	6(i)	(7,913)	(7,933)
<b>Shareholders' funds attributable to equity interests</b>		<b>977</b>	<b>957</b>
<b>Creditors</b>			
Other creditors including taxation and social security	7	136	148
<b>Total liabilities</b>		<b>1,113</b>	<b>1,105</b>

The financial statements on pages 4 to 9 were approved by the board of directors on 19 March 2004 and signed on its behalf by:

  
 Stephen Shone  
 Director  
 19 March 2004

The accounting policies and notes on pages 6 to 9 form an integral part of these financial statements.

# **Refuge Assurance plc**

## **Statement of accounting policies for the year ended 31 December 2003**

### **A. Basis of preparation**

The financial statements have been prepared on the modified statutory solvency basis of accounting in accordance with applicable accounting standards in the United Kingdom and the guidance on accounting for insurance business issued by the Association of British Insurers (ABI). The financial statements have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to, the Companies Act 1985, which deal with the disclosures applicable to insurance companies.

The company has not presented a cash flow statement, taking advantage of the exemption within Financial Reporting Standard No. 1 (Revised), "Cash Flow Statements", as the cash flows of the company are consolidated within the cash flows of the ultimate parent undertaking, The Royal London Mutual Insurance Society Limited.

### **B. Investments**

#### **Valuations**

All investments are stated at their current value. Listed securities are valued at mid price.

#### **Investment income**

Investment income comprises interest and gains and losses on the realisation of investments. Interest and expenses are accounted for on an accruals basis.

Investment income attributable to shareholders is shown in the non-technical account and long term business investment income is dealt with through the technical account.

#### **Investment gains**

Realised gains and losses are calculated as the difference between the net sale proceeds and the original cost. Unrealised gains and losses are calculated as the difference between the current valuation of investments and their valuation at the last balance sheet date or subsequent acquisition. The movement on 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 long term business investments are dealt with through the technical account. Unrealised gains and losses on shareholders' investments are dealt with through the non-technical account.

### **C. Taxation**

Provision is made for taxation at current rates on the excess of investment income and realised gains over expenses and relief for overseas taxation is taken where appropriate. Deferred taxation is provided on all unrealised gains and other timing differences, between their recognition in the financial statements and their recognition in the tax computations, except that overall assets are only recognised if there is persuasive and reliable evidence that the timing differences will reverse in the foreseeable future. The value of the resultant deferred tax assets and liabilities has been calculated on a discounted basis reflecting the fact that the timing differences are projected to reverse over several years. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred tax assets and liabilities.



# Refuge Assurance plc

## Notes to the financial statements for the year ended 31 December 2003

### 1. Investment return summary

Shareholders' investments	2003 £000	2002 £000
<i>Investment income:</i>		
Income from listed investments	70	70
Unrealised (losses)/gains on investments	(37)	14
<b>Net investment return included in the non-technical account</b>	<b>33</b>	<b>84</b>

### 2. Other Charges

Other charges in 2003 of £4,000 (2002: £4,000) comprise charges for the provision of services made under a management services agreement by Royal London Management Services Limited. These charges include an element in respect of directors' and employees' remuneration, which it is not possible to identify separately. As such the company had no employee costs.

### 3 Taxation

	<i>Non-technical account</i>	
	2003 £000	2002 £000
<b>(i) Taxation charged to the profit and loss account</b>		
UK corporation tax at 30% (2002: 30%) on profit for the year	9	24
<b>(ii) Taxation liabilities included in the balance sheet</b>		
Current taxation	9	24

#### (iii) Reconciliation of tax charge

There is no difference between the tax assessed for the period and the standard rate of corporation tax in the UK of 30%.

# Refuge Assurance plc

## Notes to the financial statements for the year ended 31 December 2003

### 4 Other financial investments

Shareholders	Current value		Cost	
	2003	2002	2003	2002
	£000	£000	£000	£000
Debt securities and other fixed income securities	975	1,012	997	997

Debt securities and other fixed income securities were listed on a recognised investment exchange.

### 5 Called up share capital

	2003	2002
	£000	£000
<b>Authorised</b>		
105,000,000 (2002:25,000,000) ordinary shares of 5p each	5,250	1,250
<b>Issued and fully paid</b>		
23,779,630 ordinary shares of 5p each	1,189	1,189

The authorised share capital increased during the year from 25 million shares to 105 million shares.

# Refuge Assurance plc

## Notes to the financial statements for the year ended 31 December 2003 (continued)

### 6 Shareholders' reserves

<b>(i) Profit and loss account</b>	<b>£000</b>
At 1 January 2003	(7,933)
Retained profit for the financial year	20
<b>At 31 December 2003 – deficit</b>	<b>(7,913)</b>

### (ii) Reconciliation of movements in shareholders' funds

	Share capital £000	Share Premium Account £000	Capital reserve £000	Non- Distributable reserves £000	Distributable Reserves £000	Total £000
At 1 January 2003	1,189	6,801	900	15	(7,948)	957
Profit attributable to shareholders	-	-	-	(37)	57	20
Net additions to shareholders' funds	-	-	-	(37)	57	20
<b>At 31 December 2003</b>	<b>1,189</b>	<b>6,801</b>	<b>900</b>	<b>(22)</b>	<b>(7,891)</b>	<b>977</b>

### 7 Other creditors including tax and social security

	<b>2003 £000</b>	<b>2002 £000</b>
Bank loans and overdrafts	1	1
Amounts due to group undertakings	126	123
Corporation tax	9	24
	<b>136</b>	<b>148</b>

### 8 Parent undertaking

The immediate parent undertaking is United Assurance Group Limited, which is registered in England and Wales. The Royal London Mutual Insurance Society Limited, which is registered in England and Wales, is the ultimate parent undertaking.

The company has taken advantage of the exemption within Financial Reporting Standard No. 8 not to disclose related party transactions with undertakings controlled within the Group.

Copies of the financial statements of The Royal London Mutual Insurance Society Limited and United Assurance Group Limited are available from the company's registered office.