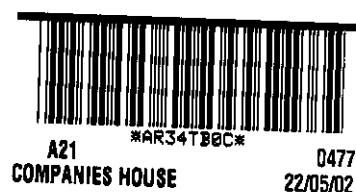


SWISS LIFE (UK) SERVICES LIMITED

REPORT AND ACCOUNTS

31st December 2001



REGISTERED NO. 844703

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The Directors present their Report and the Financial Statements for the year ended 31st December 2001.

RESULTS AND DIVIDENDS

The Company is the Management Services Company for the Swiss Life Group in the UK and Ireland. The profit for the year after taxation was £493,342 (2000 profit - £182,269). No dividend will be paid (2000 - £Nil). The Directors do not expect the activities of the Company or its level of business to change in the foreseeable future.

DIRECTORS AND DIRECTOR'S INTERESTS

The Directors during the year and at the balance sheet date (unless otherwise indicated) were:

S. R. Burnett
G. A. Clark
J. A. F. Staffurth
G. Trill
B.W. Hurd (appointed 16.1.2002)

None of the Directors had a beneficial interest in any shares of the Company or any other Group Company at 1st January 2001 or at 31st December 2001.

CHANGES IN FIXED ASSETS

Information relating to changes in tangible fixed assets is set out in note 8 to the accounts.

SUPPLIER PAYMENT POLICY

The company agrees payment terms with the suppliers when it enters contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. The company does not have a standard code which deals specifically with the payment of suppliers

EMPLOYEES

It is the Company's policy and practice that selection for employment and promotion is based on objective assessment of ability and experience free from discrimination on any grounds. The Company encourages the involvement of United Kingdom employees in its operation by way of performance related bonuses, regular communication and equal opportunities combined with appropriate training.

CHARITABLE CONTRIBUTIONS

No contributions for political purposes were made during 2001 (2000 - £Nil). Charitable contributions amounted to £197,187 (2000 - £345,509).

AUDITORS

A Resolution to re-appoint PricewaterhouseCoopers as Auditors to the Company will be proposed at the Annual General Meeting.

Swiss Life House
24-26 South Park
Sevenoaks
Kent, TN13 1BG

20th March 2002

By Order of the Board



Dryhill Services, Secretary

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.
- 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 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.

Independent Auditors' Report to the Members of Swiss Life (UK) Services Limited

We have audited the financial statements which comprise the profit and loss account, 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 the 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.

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 affairs of the company at 31 December 2001 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

20 March 2002

Swiss Life (UK) Services Limited
Profit and Loss Account for the year ended 31st December 2001

| | Notes | 2001 £000 | 2000 £000 |
|--|-------|--------------|--------------|
| TURNOVER | 2 | 42,044 | 35,867 |
| Operating Expenses | 3 | (41,947) | (35,192) |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 97 | 675 |
| Other Interest Receivable And Similar Income | 4 | 756 | 32 |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | 853 | 707 |
| Taxation | 7 | (360) | (525) |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 493 | 182 |
| | | <hr/> | <hr/> |
| RETAINED PROFIT FOR THE YEAR AFTER TAXATION | 13 | 493 | 182 |
| | | <hr/> | <hr/> |

The above Profit and Loss Account relates to continuing operations.

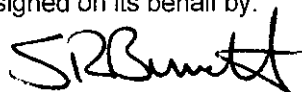
The Company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 6 to 12 form an integral part of these accounts.

| | Notes | 2001 £000 | 2000 £000 |
|---|-------|--------------|--------------|
| FIXED ASSETS | | | |
| Tangible Assets | 8 | 8,934 | 6,974 |
| CURRENT ASSETS | | | |
| Debtors | 9 | 4,235 | 6,437 |
| Cash at Bank and in Hand | | 4,545 | 676 |
| | | 8,780 | 7,113 |
| CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR | 10 | 16,517 | 13,975 |
| NET CURRENT LIABILITIES | | (7,737) | (6,862) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,197 | 112 |
| CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 11 | 975 | 400 |
| NET ASSETS/(LIABILITIES) | | 222 | (288) |
| CAPITAL AND RESERVES | | | |
| CALLED UP SHARE CAPITAL | 12 | 100 | 100 |
| PROFIT AND LOSS ACCOUNT | | 122 | (388) |
| SHAREHOLDERS' FUNDS | 14 | 222 | (288) |

The Financial Statements on pages 4 to 12 were approved by the Board of Directors on 20th March 2002 and signed on its behalf by:



S. R. Burnett



G. A. Clark

20th March 2002

The notes on pages 6 to 12 form an integral part of these accounts.

1. ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

a) Turnover

Turnover represents the value of services provided to the Swiss Life Group in the UK and Ireland.

b) Tangible Fixed Assets and Depreciation

Fixed assets are valued at the lower of cost or net realisable value.

Depreciation is calculated to write down the cost or valuation of tangible fixed assets to their estimated residual value by equal instalments over the period of their estimated useful economic lives, which is considered to be:

| | |
|---|---------|
| Furniture, Office Equipment | 5 years |
| Motor Vehicles & Other Computer Equipment | 4 years |
| Desktop Computer Equipment | 3 years |

c) Leased Assets

Motor cars are financed by a leasing agreement that gives rights approximating to ownership, they are treated as if they have been purchased outright. The agreement was a sale and leaseback arrangement and the leaseback is treated as a finance lease. The lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the sum of the digits method. Depreciation on the motor vehicles and interest is charged to the profit and loss account. The finance lease agreement commenced at the end of December 2001 so no interest has been charged to the profit and loss account in this period. The capital cost of the cars has been retained at their original purchase price.

d) Taxation

Corporation Tax is provided on taxable profits at the appropriate rate for the period.

Deferred taxation is computed by applying the rate of tax at which the accumulated timing differences are expected to reverse.

e) Government Grant

Fellow subsidiary undertakings have been approved to receive a government grant of £1,000,000 following the Company's relocation to the Albert Dock, Liverpool. This is receivable on the condition that £10.778m is spent on the building, 100 permanent full time jobs are created and that no less than 492 people are employed at the premises.

However the grant has been recognised in the Company's financial statements in order to match it against the cost of creating the new positions which occur within this Company.

As the Company charges the Group for management services rendered the grant will result in a reduction of the costs recharged to the fellow subsidiary undertakings. £93,423 has been credited to the profit and loss account in the year 2001. The remaining £231,577 of the first instalment is currently shown in accruals and deferred income and will be released to the profit and loss account over a 7 year period.

The grant is to be received over a period of 3 years £325,000 is receivable in the year 2001 as the company has reached its first year targets of creating 50 permanent full time jobs, spending £9.5m on the move and employing a minimum of 388 people.

The Company has a potential liability to repay the grant in the following circumstances:

- i) the company becomes insolvent or goes into liquidation.
- ii) there is a change of ownership
- iii) the company ceases to own or stops using the premises

2. TURNOVER

All turnover is derived from activities in the United Kingdom for management services rendered.

The geographical analysis of turnover based on country of residence of the company to which services are provided is as follows:

| | 2001 £000 | 2000 £000 |
|----------------|---------------|---------------|
| United Kingdom | 41,670 | 35,413 |
| Ireland | 374 | 454 |
| | <u>42,044</u> | <u>35,867</u> |

3. OPERATING EXPENSES

The operating expenses were incurred for the Swiss Life Group and charged to group members appropriately.

4. OTHER INCOME

| | 2001 £000 | 2000 £000 |
|--------------------------------|--------------|--------------|
| Rental income | 506 | - |
| Profit on sale of fixed assets | 62 | - |
| Bank Interest Receivable | 99 | 32 |
| Other interest receivable | 89 | - |
| | <u>756</u> | <u>32</u> |

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging

| | 2001 £000 | 2000 £000 |
|------------------------|--------------|--------------|
| Depreciation | 3,347 | 3,417 |
| Auditors' Remuneration | 6 | 6 |
| Staff Costs | 16,927 | 14,789 |

6. STAFF COSTS

- a) Particulars of employees (including executive directors) are as shown below
Employee costs during the year amounted to:-

| | 2001 £000 | 2000 £000 |
|-----------------------|--------------|--------------|
| Salaries | 14,415 | 12,628 |
| Social Security Costs | 1,260 | 1,054 |
| Pension Cost | 1,252 | 1,107 |
| | <hr/> | <hr/> |
| | 16,927 | 14,789 |
| | <hr/> | <hr/> |

The average number of persons employed by the company during the year was 547 (2000 - 446).

- b) Directors' Emoluments

| | 2001 £000 | 2000 £000 |
|----------------------|--------------|--------------|
| Directors | | |
| Aggregate Emoluments | 679 | 782 |

The aggregate emoluments were paid to the 4 (2000 - 5) directors who served during the year.

Retirement benefits are accruing to all of the directors under the company's defined benefit scheme.

Highest Paid Director

| | | |
|--------------------------------|-----|-----|
| Aggregate Emoluments | 242 | 233 |
| Defined Benefit Pension Scheme | 32 | 26 |
| Accrued pension at end of year | | |

£5,089 of the accrued pension at the end of the year of the highest paid director will be provided through an unfunded pension arrangement (2000 - £2,975).

7. TAXATION

The tax charge in the Profit and Loss Account is made up as follows:-

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| Corporation Tax at 30% (2000 - 30%) | (351) | (525) |
| Corporation Tax under provision in respect of prior year | (9) | - |
| | <hr/> | <hr/> |
| | (360) | (525) |
| | <hr/> | <hr/> |

8 TANGIBLE FIXED ASSETS

| | Motor Vehicles Held Under Finance Lease £000 | Furniture & Office Equipment £000 | Computer Equipment £000 | Total £000 |
|--|---|---|-------------------------------|---------------|
| Cost at 1st January 2001 | - | 3,815 | 9,856 | 13,671 |
| Assets transferred to motor vehicle sub-category | 1,644 | (1,644) | | |
| Additions | 514 | 1,034 | 3,843 | 5,391 |
| Disposals | (431) | - | - | (431) |
| Fully Depreciated Items Written Out | - | (484) | (1,416) | (1,900) |
| Assets transferred to other group companies | - | - | (37) | (37) |
| At 31st December 2001 | 1,727 | 2,721 | 12,246 | 16,694 |
| Depreciation at 1st January 2001 | - | 1,917 | 4,780 | 6,697 |
| Assets transferred to motor vehicles sub-category | 830 | (830) | | |
| Charge for year | 397 | 483 | 2,467 | 3,347 |
| Disposals | (357) | - | - | (357) |
| Fully Depreciated Items Written Out | - | (484) | (1,416) | (1,900) |
| Assets transferred to other group companies | - | - | (27) | (27) |
| At 31st December 2001 | 870 | 1,086 | 5,804 | 7,760 |
| Net Book Value at 31st December 2001 | 857 | 1,635 | 6,442 | 8,934 |
| At 31st December 2000 | - | 1,898 | 5,076 | 6,974 |

9. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Amounts due from parent and fellow subsidiaries | 2,477 | 5,087 |
| Other Debtors | 1,033 | 374 |
| Prepayments | 725 | 976 |
| | <hr/> 4,235 | <hr/> 6,437 |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| Amounts due to Parent and Fellow Subsidiary Undertakings | 11,362 | 8,001 |
| Trade Creditors | 795 | 1,458 |
| Loans and obligations under finance lease | 278 | |
| Accruals | 3,164 | 2,964 |
| Tax Payable | 351 | 525 |
| Bank Overdraft | 567 | 1,027 |
| | <hr/> 16,517 | <hr/> 13,975 |

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Loans and obligations under finance lease | 575 | - |
| Amounts owed to group undertaking | 400 | 400 |
| | <hr/> 975 | <hr/> 400 |

Loans and obligations under finance lease are payable between two and five years.

An interest free loan facility of £1,000,000 was made available in April 1997 and will be repayable in 5 consecutive equal instalments commencing on 1st May 2003.

12. SHARE CAPITAL

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| AUTHORISED | | |
| 100,000 Ordinary Shares of £1 each | 100 | 100 |
| | <hr/> | <hr/> |
| ALLOTTED, CALLED UP AND FULLY PAID | | |
| 100,000 Ordinary Shares at £1 each | 100 | 100 |
| | <hr/> | <hr/> |

13. PROFIT AND LOSS ACCOUNT

| | 2001 £000 | 2000 £000 |
|-------------------------------------|--------------|--------------|
| Balance at 1st January | (388) | (570) |
| Retained Profit/(Loss) for the year | 493 | 182 |
| Charge for issue of share options | 17 | - |
| | <hr/> | <hr/> |
| Balance at 31st December | 122 | (388) |
| | <hr/> | <hr/> |

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2001 £000 | 2000 £000 |
|-----------------------------------|--------------|--------------|
| Profit for the year | 493 | 182 |
| Opening Shareholders' Funds | (288) | (470) |
| Charge for issue of share options | 17 | - |
| | <hr/> | <hr/> |
| Closing Shareholders' Funds | 222 | (288) |
| | <hr/> | <hr/> |

15. PENSION SCHEME

The Company operates a pension plan providing benefits based on final pensionable pay. The pension plan is set up under trust and the assets of the plan are therefore held separately from those of the Company.

The pension cost charge to the profit and loss account is calculated in such a way as to spread the cost of pensions over the employees' working lives with the Company. The pension cost is based on the most recent actuarial valuation which was carried out with an effective date of 1st January 2001. The actuarial method used to calculate the pension cost is the projected unit method. The most significant assumptions affecting the pension cost are those relating to the rate of return on the investments of the plan and the rates of increase in salaries and pensions. The investment return used was 6.5% per annum prior to retirement and 5.5% per annum post retirement, the rate of earnings increase used was 4.5% per annum and the rate of pension increase used was 2.5% per annum for pensions in respect of Pensionable Service both before and after 6th April 1997.

The pension costs charged to the profit and loss account for the year were £1,367,700 (2000: £1,106,731). The amortisation is over a period of 23 years, the average remaining service lives of the pensioned employees.

An amount of £63,200 (2000: £46,300) is included in debtors which represents the excess payment of contributions to the fund over the accumulated pension cost.

The actuarial valuation as at 1st January 2001 showed that the market value of the plan's assets were £30.4m and that the actuarial value of those assets represented 116% of the plan's liability for benefits, under the valuation method used, for service to the valuation date and based on salaries projected to retirement or earlier exit.

In addition the Company operates a FURBS which provides benefits on a money purchase basis.

Financial Reporting Standards 17 'Retirement Benefits' (FRS 17) was issued in November 2000 as a replacement for SSAP 24 'Accounting for Pension Costs'. FRS 17 is fully effective for accounting periods ending on or after 22nd June 2003. Accounting periods ending on or after 22nd June 2001 fall into the transition period for which certain additional disclosures are required.

The Pension Scheme is a multi-employer defined benefit scheme. The company is unable to adequately identify its share of the underlying assets and liabilities, and as such, has accounted for the scheme as if it were a defined contribution scheme, in accordance with the provisions of FRS 17. Contributions made to the Pensions Scheme in 2001 were £1,335,000.

As at 31st December 2001 the Pension Scheme has an overall deficit of £3,234,000. Contributions to the scheme will be reviewed to assess whether any changes should be made to the companies contribution rate.

16. CASH FLOW STATEMENT

As the Company is wholly owned by Swiss Life Insurance and Pension Company, a limited company incorporated in Switzerland, its cash flows are included in the consolidated group cash flow statement of Swiss Life Insurance and Pension Company. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

17. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption provided in FRS 8 from disclosing details of transactions with Swiss Life (UK) Group plc and its subsidiaries.

18. ULTIMATE HOLDING COMPANY

The ultimate holding company is Swiss Life Insurance & Pension Company, a life insurance company incorporated in Switzerland. The Company is a wholly owned subsidiary of Swiss Life (UK) Group plc which is incorporated in England and Wales. Copies of the financial statements of Swiss Life Insurance and Pension Company and of Swiss Life (UK) Group plc may be obtained from the Secretary, Swiss Life House, 24-26 South Park, Sevenoaks, Kent TN13 1BG.