

**Consolidated Insurance Holdings Limited**

Registered No. 3689419

---

# **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**



# **Consolidated Insurance Holdings Limited**

---

Registered No. 3689419

## **DIRECTORS**

S. Dolfi  
W. Goings  
S. Haynes  
R. Meurer

## **SECRETARY**

D. J. Thomas

## **AUDITORS**

KPMG Audit Plc  
8 Salisbury Square  
London  
EC4Y 8BB

## **REGISTERED OFFICE**

The Priory  
Hitchin  
Herts  
SG5 2DW

# **Consolidated Insurance Holdings Limited**

---

## **DIRECTORS' REPORT**

The Directors present their report for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The Company is a Holding Company. The principal activity of its subsidiaries is the underwriting of insurance and the transaction of life assurance, annuity and pension business. Such business includes the insurance of consumers in respect of accident, sickness, redundancy or death to provide payments for their obligations under credit agreements, single premium investment products, home income plans, compulsory purchase annuities, and unit-linked premium products. The company's subsidiaries have branches in Ireland, Holland, Sweden, Norway, Germany, Denmark, Finland, Portugal, Italy, Netherlands and Switzerland.

### **CHANGE OF NAME OF SUBSIDIARY UNDERTAKING**

On 10 December 2003 the Board of Directors of Precis 2152 Limited (a wholly owned subsidiary of the Company), agreed to change the name from Precis 2152 Limited to GE Life Services Limited. Also at the Board meeting the Directors agreed to increase the authorised share capital of GE Life Services Limited to 5,000,000 £1 ordinary shares. On 19 January 2004, Consolidated Insurance Holdings Limited applied for and was allotted 1,000,000 £1 ordinary shares in GE Life Services Limited and fully paid £1,000,000 for the shares.

### **POST BALANCE SHEET EVENTS**

The Company and a number of its subsidiaries undertook a significant refinancing during March 2004 and May 2004. Full details of the refinancing are disclosed in Note 2 to the accounts.

### **RESULTS AND DIVIDENDS**

The Directors submit the financial statements of the Company for the year ended 31 December 2003.

The profit for the year, after taxation, amounted to £15,723,000 (2002 loss: £59,637,000). No dividends were paid or proposed in respect of 2003 (2002: £ Nil).

### **DIRECTORS**

The current Directors are shown on Page 2. The Directors of the Company during the year ended 31 December 2003 and subsequent changes are listed below:

C.A. Cowdery (Resigned 30 June 2003)  
R.W. Davies (Resigned 30 June 2003)  
S. Dolfi (Appointed on 18 June 2003)  
W. Goings (Appointed 18 June 2003)  
S. Haynes (Appointed 18 June 2003)  
R. Meurer (Appointed 18 June 2003)

# Consolidated Insurance Holdings Limited

---

## DIRECTORS' INTERESTS

Under the provisions of The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the Directors of the Company are exempt from disclosing to this Company any interest they may have in shares of the parent Company. The Directors had no interest in the shares of the Company or of any UK group company during the year.

## COMPANY SECRETARY

D. J. Thomas

By order of the Board

A handwritten signature in dark ink, appearing to be 'D. J. Thomas', written over a vertical line that separates the signature from the printed name and title below.

D. J. Thomas  
Secretary

9 October 2004

# Consolidated Insurance Holdings Limited

---

## 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 at the end of the financial year and of the profit or loss of the Company for the 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.

# Consolidated Insurance Holdings Limited

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CONSOLIDATED INSURANCE HOLDINGS LIMITED

We have audited the financial statements on pages 7 to 14.

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 5, 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.

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

*KPMG Audit Mc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom.

*20*

October 2004

## Consolidated Insurance Holdings Limited

### PROFIT AND LOSS ACCOUNT

*for the year ended 31 December 2003*

|   | <i>Notes</i> | <b>2003</b><br><b>£000</b> | <b>2002</b><br><b>£000</b> |
|---|--------------|----------------------------|----------------------------|
| Impairment of investments in group undertakings             | 8            | 39,600                     | (39,600)                   |
| Interest payable and similar charges                        | 6            | (23,877)                   | (20,037)                   |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |              | <u>15,723</u>              | <u>(59,637)</u>            |
| Tax on Profit/ (Loss) on ordinary activities                | 7            | -                          | -                          |
| <b>PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b> |              | <u>15,723</u>              | <u>(59,637)</u>            |
| <b>RETAINED FOR THE YEAR</b>                                |              |                            |                            |

The Notes on Page 9 to 14 form part of these financial statements.

There are no recognised gains or losses in either the current or the preceding financial year other than those reported in the Profit and Loss account. Therefore, no separate Statement of Total Recognised Gains and Losses has been presented.

# Consolidated Insurance Holdings Limited

## BALANCE SHEET

at 31 December 2003

|   | Notes | 2003<br>£000   | 2002<br>£000   |
|---|-------|----------------|----------------|
| <b>FIXED ASSETS</b>                                   |       |                |                |
| Investments in Subsidiaries                           | 8     | 581,678        | 542,077        |
| <b>CURRENT ASSETS</b>                                 |       |                |                |
| Amounts owed by group undertakings                    |       | 258,265        | 264,800        |
| Cash at bank and in hand                              |       | 662            | 4              |
|   |       | <u>258,927</u> | <u>264,804</u> |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b> |       |                |                |
| Amounts owed to group undertakings                    | 9     | (132,326)      | (247,668)      |
| <b>NET CURRENT LIABILITIES</b>                        |       | <u>126,601</u> | <u>17,136</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |       | <u>708,279</u> | <u>559,213</u> |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>  | 10    | (313,141)      | (179,800)      |
| <b>NET ASSETS</b>                                     |       | <u>395,137</u> | <u>379,413</u> |
| <b>CAPITAL &amp; RESERVES</b>                         |       |                |                |
| Called up share capital                               | 11    | 364,310        | 364,310        |
| Share premium   | 12    | 3,290          | 3,290          |
| Profit and loss account                               | 12    | 27,537         | 11,813         |
| Equity Shareholders' funds                            |       | <u>395,137</u> | <u>379,413</u> |

The Notes on Page 9 to 14 form part of these financial statements.

These financial statements were approved by the Board of Directors and signed on its behalf by:



Stephen Haynes  
Director

9 October 2004



# Consolidated Insurance Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS

*Year ended 31 December 2003*

### 1. ACCOUNTING POLICIES

#### **Basis of presentation**

The financial statements are prepared under the historical cost convention and (modified by the revaluation of fixed assets) in accordance with applicable Accounting Standards in the United Kingdom.

The Company is exempt under S.228 of the Companies Act 1985 from the requirement to prepare group accounts on the grounds that the company is included in the financial statements of IGE (USA) Investment. Therefore, these accounts present information about Consolidated Insurance Holdings Limited as an individual company and not information about the group.

#### **Investments in Subsidiaries**

The investments in subsidiaries held by the Company are stated at Director's valuation when, following a review of the value of investments carried out by the directors and management, it is the view of the directors that the value of a subsidiary varies significantly from its cost. Otherwise investments in subsidiaries are stated at cost.

#### **Statement of cash flows**

The Company has adopted the revised Financial Reporting Standard 1. Under the standard, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate holding company, General Electric Company, includes the Company in its own consolidated financial statements.

#### **Related party transactions**

As the Company is a wholly owned subsidiary of General Electric Company Inc., a company registered in the state of New York, in the United States of America, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of General Electric Company Inc. can be obtained from the address given in note 13.

#### **Deferred Taxation**

Deferred tax assets and liabilities are recognised in accordance with the provisions of FRS 19, issued in December 2000. The Company has chosen not to apply the option available under FRS 19 of recognising such assets and liabilities on a discounted basis to reflect the time value of money. Except as set out in FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax on changes in the fair value of investments is recognised in the profit and loss account. The deferred tax liability in respect of revaluation of investments is recognised in shareholders' funds. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered.

#### **Tax on Operating profit**

There is no tax charge for the period.

# Consolidated Insurance Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

### 2. POST BALANCE SHEET EVENTS

#### (a) 25 March 2004 Group Refinancing

1. Loan principals of £35,000,000 and £209,465,273 were repaid to Consolidated Insurance Holdings Limited ("CIHL") by GE Insurance Holdings Limited ("GEIH"), a subsidiary company. The original loan agreements did not include any allowance for interest payments. Therefore, it was decided that part of the dividend payment of £71,953,143 would compensate for the lack of interest. The amount of the dividend representing that compensation amounted to £35,039,855.
2. A dividend of £71,953,143 was paid to the Company by GEIH.
3. A loan principal of £60,000,000 and interest of £7,307,507 was repaid to GE Capital Corporation ("GECC"), a group company, by CIHL.
4. A loan principal of £29,000,000 and interest of £1,542,562 was repaid to GECC by CIHL.
5. A loan principal of £90,800,000 and interest of £4,794,688 was repaid to GECC by CIHL.
6. A loan principal of £121,000,000, interest of £1,962,080 and a commitment fee of £11,579.45 was repaid to GECC by CIHL.

#### (b) 19 May 2004 Group Refinancing

1. A loan of £35,664,675 was advanced to CIHL by GEIH. The loan accrues interest on a daily basis, compounding on a quarterly basis on the payment date. The interest rate is 1.5% above the LIBOR rate reset quarterly on 1 January, 1 April, 1 July and 1 October.
2. A dividend of £140,000,000 was paid to CIHL by GEIH.
3. A loan principal of £110,793,792.89, interest of £24,208,006 and a commitment fee of £222,054 was repaid to GE Capital UK Finance Limited (a group company) by CIHL.
4. A loan of £40,440,822 was advanced to iGroup Mortgage Limited (a group company) by CIHL. The loan accrues interest on a daily basis compounding on a quarterly basis on the payment date. The interest rate is 1.1% above the LIBOR rate reset quarterly on 1 January, 1 April, 1 July and 1 October. A commitment fee of 0.12% per annum will be payable on the unused portion of the commitment. The commitment under the terms of the loan agreement is £50,000,000.

### 3. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the Company in 2003 (2002: £ Nil). Executive directors received emoluments from Financial Insurance Group Services Limited, a group company.

Where appropriate, their emoluments are disclosed in the accounts of Financial Insurance Group Services Limited.

### 4. AUDITOR'S REMUNERATION

Auditors' remuneration for audit services is borne directly by a fellow group company, Financial Insurance Group Services Limited. Auditors' remuneration for audit work during the year was £3,000 (2002: £nil). Auditors' remuneration for non-audit work during the year was £nil (2002: £nil).

### 5. STAFF NUMBER AND COSTS

There were no staff employed by the company during 2003 (2002 : nil).

# Consolidated Insurance Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

|                                     | 2003<br>£000 | 2002<br>£000 |
|-------------------------------------|--------------|--------------|
| Interest payable on intergroup loan | 23,877       | 20,037       |

### 7. TAXATION

#### (a) The charge for taxation comprises:

|                                     | 2003<br>£000 | 2002<br>£000 |
|-------------------------------------|--------------|--------------|
| Current taxation:                   |              |              |
| United Kingdom corporation tax      | -            | -            |
| Overseas tax                        | -            | -            |
| Adjustments relating to prior years | -            | -            |
|                                     | -            | -            |
| Deferred taxation:                  |              |              |
| United Kingdom                      | -            | -            |
| Overseas                            | -            | -            |
| Adjustments relating to prior years | -            | -            |
|                                     | -            | -            |

The United Kingdom corporation tax liability has been reduced to Nil following the offset of group losses for tax purposes.

#### (b) Factors affecting tax charge for the period

The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profits will be taxed.

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| Profit/(loss) on ordinary activities before tax   | 15,723       | (59,637)     |
| Profit/(loss) on ordinary activities by the standard rate of corporation tax in the UK of 30% | 4,717        | (4,542)      |
| Effects of:   |              |              |
| Non-tax deductible impairment   | -            | -            |
| Group losses surrendered  | (4,717)      | 4,542        |
| Current tax charge for the period   | -            | -            |

#### (c) Deferred tax

There is nil (2001: £nil) deferred tax asset / liability for the year.

# Consolidated Insurance Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

### 8. INVESTMENTS IN SUBSIDIARIES

2003

£000

#### Cost

|                     |         |
|---------------------|---------|
| At 1 January 2003   | 542,078 |
| Impairment          | 39,600  |
| At 31 December 2003 | 581,678 |

The carrying value of investments in subsidiaries are shown at Directors' valuation. During the period a review of the value of subsidiaries was carried out by the Directors and management of the Company which resulted in an increase of £39,600,000.

At 31 December 2003, Consolidated Insurance Holdings Limited owned 100% of the issued share capital, comprising ordinary shares of the following subsidiaries.

| Name   | Country of Incorporation | Direct/ Indirect | Activity            |
|--|--------------------------|------------------|---------------------|
| GE Insurance Holdings Limited                          | England                  | Direct           | Holding company     |
| GE Life Group Limited                                  | England                  | Direct           | Holding company     |
| GE Life Services Limited (formerly Preci-2152 Limited) | England                  | Direct           | Management services |

GE Insurance Holdings Limited had the following interests in its subsidiaries at the year end:

|  |         |          |                        |
|--|---------|----------|------------------------|
| Financial Insurance Company Limited        | England | Indirect | Insurance underwriting |
| Financial Assurance Company Limited        | England | Direct   | Insurance underwriting |
| Financial Insurance Group Services Limited | England | Direct   | Management services    |
| Consolidated Insurance Group Limited       | England | Indirect | Holding company        |
| GE Life Fund Management Limited            | England | Direct   | Sale of Investments    |
| Consolidated Insurance Espana S.A.         | Spain   | Indirect | Insurance underwriting |
| Consolidated Life Insurance Espana S.A.    | Spain   | Indirect | Insurance underwriting |
| FIG (Ireland) Limited                      | Ireland | Direct   | Insurance underwriting |
| WorldCover Direct Limited                  | England | Direct   | Dormant                |
| GE Pensions Limited                        | England | Direct   | Pensions               |
| GE Pensions Trustees Limited               | England | Direct   | Pensions               |
| National Mutual Life Assurance Society     | England | Indirect | Dormant                |
| Namulas Pension Trustees Limited           | England | Indirect | Pensions               |
| National Mutual Trustees Limited           | England | Indirect | Staff pensions         |
| CFI Pension Trustees Limited               | England | Direct   | Staff pensions         |

GE Life Group Limited had the following interests in its subsidiaries at the year end:

|                                |         |          |                        |
|--------------------------------|---------|----------|------------------------|
| GE Life Limited                | England | Direct   | Insurance underwriting |
| GE Life Equity Release Limited | England | Direct   | Personal loans         |
| GE Life Trustees Limited       | England | Direct   | Dormant                |
| GE Life Residential Limited    | England | Indirect | Property investment    |

# Consolidated Insurance Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 31 December 2003

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                   | 2003<br>£000 | 2002<br>£000 |
|-----------------------------------|--------------|--------------|
| Amounts due to group undertakings | (132,326)    | (247,668)    |

The Company had an unsecured loan of £110,793,793 with GE Capital UK Finance Limited under a 10-year revolving credit agreement which was repaid as part of the balance sheet refinancing detailed in Note 2.

### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                   | 2003<br>£000 | 2002<br>£000 |
|-----------------------------------|--------------|--------------|
| Amounts due to group undertakings | (313,141)    | (179,800)    |

The balance is represented by the following unsecured loans:

(a) £60,000,000 with GE Capital Corporation under a 15-year credit agreement commenced on 8 April 2002, repayable in full on termination of the agreement.

(b) £29,000,000 with GE Capital Corporation under a 15-year credit agreement commenced on 8 April 2002, repayable in full on termination of the agreement.

(c) £90,800,000 with GE Capital Corporation under a 10-year credit agreement commenced in 8 April 2002, repayable in full on termination of the agreement.

(d) £121,000,000 with GE Capital Corporation under a 10-year credit agreement commenced on 3 December 2003, repayable in full on termination of the agreement.

The loans detailed above were repaid in full as part of the post balance sheet refinancing detailed in note 2.

### 11. CALLED UP SHARE CAPITAL

|   | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|
| <b>Attributable to equity interests</b>   |              |              |
| <b>Authorised</b>                         |              |              |
| 500,000,000 Ordinary shares of £1 each    | 500,000      | 500,000      |
| <b>Allotted, called up and fully paid</b> |              |              |
| 364,310,352 Ordinary shares of £1 each    | 364,310      | 364,310      |

### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                             | Called up<br>share<br>capital<br>£000 | Share<br>premium<br>£000 | Profit<br>and loss<br>account<br>£000 | Total<br>shareholders'<br>funds<br>£000 |
|-----------------------------|---------------------------------------|--------------------------|---------------------------------------|---|
| At beginning of year        | 364,310                               | 3,290                    | 11,813                                | 379,413                                 |
| Gain for the financial year | 0                                     | 0                        | 15,723                                | 15,723                                  |
| At end of year              | 364,310                               | 3,290                    | 27,537                                | 395,137                                 |

# Consolidated Insurance Holdings Limited

---

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Year ended 31 December 2003*

### 13. ULTIMATE HOLDING COMPANY

The Company's ultimate parent company is General Electric Company ("GEC"), a Company registered in the state of New York, in the United States of America. GEC is the parent of the largest group of which the company is a member and for which group financial statements are prepared. The group financial statements of GEC are available to the public and may be obtained from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, Connecticut 06431, USA.

IGE(USA) Investments Ltd, an unlimited company registered in England and Wales, is the parent of the smallest group of which the company is a member and for which group financial statements are prepared. The group financial statements of IGE(USA) Investments may be obtained from the company at 1 Trevelyan Square, Boar Lane, Leeds LS1 6HP.