

The Yorkshire Insurance Company Limited

Registered office: 2 Rougier Street, York, YO90 1UU

**Annual FSA Insurance Returns for the year ended
31st December 2003**



Returns under the Accounts and Statements Rules

Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)

Name of insurer **The Yorkshire Insurance Company Limited**

Global Business

Financial year ended **31st December 2003**

Contents

<i>Forms</i>		<i>Page</i>
IPRU (INS) Appendix 9.1		
9	Statement of solvency	1
9A	Analysis of effect of financial engineering on long-term available assets	2
10	Statement of net assets	3
13	Analysis of admissible assets	4
14	Long-term business liabilities and margins	7
IPRU (INS) Appendix 9.3		
40	Revenue account	8
41	Analysis of premiums and expenses	9
42	Analysis of claims	10
IPRU (INS) Appendix 9.4		
	Valuation report	11
46	Summary of changes in ordinary long term business	14
48	Expected income from admissible assets not held to match liabilities in respect of linked benefits	15
49	Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits	16
51	Valuation summary of non-linked contracts (other than accumulating with-profit policies)	17
57	Matching rectangle	18
58	Valuation result and distribution of surplus	21
60	Required minimum margin	22
Supplementary notes		23
IPRU (INS) 9.29, 9.30 and 9.36		
	Statement on derivatives required by IPRU (INS) 9.29	26
	Statement on controllers required by IPRU (INS) 9.30	27
	Statement of information on appointed actuary required by IPRU (INS) 9.36	28
Certificates by the directors and actuary and report of the auditors – IPRU (INS) Appendix 9.6		
	Certificate by the directors required by IPRU (INS) 9.34(a)	29
	Certificate by the appointed actuary required by IPRU (INS) 9.34(b)	31
	Report of the auditors to the directors pursuant to IPRU (INS) 9.35	33

Statement of solvencyName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

R9	Company registration number 98235	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2003	
	As at the end of this financial year	As at the end of the previous year	Source			
	1	2	<	>	?	

GENERAL INSURANCE BUSINESS**Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general insurance business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21	652	634	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	477	449	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	25	32	See instruction 4
Other insurance and non-insurance liabilities	24	555	545	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	549	506	

Implicit Items admitted under Rule 2.10(5) as modified

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	549	506	
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Required minimum margin

Required minimum margin for long term insurance business	41	549	506	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	549	506	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43			
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44			

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6

Analysis of the effect of financial engineering on long-term available assetsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

	R9A	Company registration number 98235	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2003	
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
Required minimum margin for long term insurance business	11	549	506	See instruction 2			
Excess (deficiency) of available assets and implicit items over the required minimum margin	12			See instruction 3			
Total available assets and implicit items (11+12)	13	549	506				
Analysed as follows:							
Value of implicit items	14			See instruction 5			
Financial reinsurance- ceded	15			See instruction 6			
Financial reinsurance- accepted	16			See instruction 7			
Outstanding contingent loans	17			See instruction 8			
Any other charges on future profits	18			See instruction 9			
Sum of financial engineering adjustments (14+15-16+17+18)	19						
Other assets (13-19)	20	549	506				
Total available assets and implicit items (19+20)	21	549	506				

Statement of net assetsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

	R10	Company registration number 98235	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2003	
				As at the end of this financial year		As at the end of the previous year	Source
				1		2	< > ?
Long term insurance business - admissible assets	11	652		634		13 . 89 . 1	
Long term insurance business - liabilities and margins	12	652		634		14 . 59 . 1	

Other than Long term insurance business - admissible assets	21					13 . 89 . 1	
Other than Long term insurance business - liabilities	22					15 . 69 . 1	
Net admissible assets (21-22)	23						
Other assets allowed to be taken into account in covering the required minimum margin		Unpaid amounts (including share premium) on partly paid shares	24				
		Supplementary contributions for a mutual carrying on general insurance business	25				
Liabilities allowed to be left out of account in covering the required minimum margin		Subordinated loan capital	26				
		Cumulative preference share capital	27				
Available assets (23 to 27)	29						

Represented by:

Paid up share capital (other than cumulative preference share capital)	51						
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56						
Total (51 to 56) and equal to line 29 above	59						

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61					10 . 56 . 2	
Retained profit/(loss) for the financial year	62					16 . 59 . 1	
Movement in asset valuation differences	63					See instruction 2	
Decrease/(increase) in the provision for adverse changes	64					See instruction 3	
Other movements (particulars to be specified by way of supplementary note)	65						
Balance carried forward at the end of the financial year (61 to 65)	69						

Analysis of admissible assetsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	98235	GL	31	12	2003	£000	11
					day	month	year		
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11				
Investments in group undertakings and participating interests	UK insurance business dependants	Shares				21			
		Debt securities issued by, and loans to, dependants				22			
	Other insurance dependants	Shares				23			
		Debt securities issued by, and loans to, dependants				24			
	Non-insurance dependants	Shares				25			
		Debt securities issued by, and loans to, dependants				26			
	Other group undertakings and participating interests	Shares				27			
		Debt securities issued by, and loans to, group undertakings				28			
		Participating interests				29			
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest				30			
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	98235	GL	31	12	2003	£000	11
					day	month	year		
Investments (continued)					As at the end of this financial year		As at the end of the previous year		
Deposits with ceding undertakings					1		2		
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities		45		537		557
			Other		46				
		Variable interest	Approved securities		47				
			Other		48				
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings			51				
		Loans secured by policies of insurance issued by the company			52				
		Other			53				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less			54				
		Withdrawal subject to a time restriction of more than one month			55				
	Other			56					
Deposits with ceding undertakings			57						
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)			69			537		557	

Analysis of admissible assetsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	98235	GL	31	12	2003	£000	11
					day	month	year		
Debtors					As at the end of this financial year		As at the end of the previous year		
Other assets					1		2		
Debtors arising out of direct insurance operations	Policyholders				71				
	Intermediaries				72				
Salvage and subrogation recoveries					73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted				74				
	Due from reinsurers and intermediaries under reinsurance contracts ceded				75				
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year			76				
		Due more than 12 months after the end of the financial year			77				
	Other	Due in 12 months or less after the end of the financial year			78				
		Due more than 12 months after the end of the financial year			79				
Tangible assets					80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities				81				
	Cash in hand				82		113		75
Other assets (particulars to be specified by way of supplementary note)					83				
Prepayments and accrued income	Accrued interest and rent				84		2		2
	Deferred acquisition costs				85				
	Other prepayments and accrued income				86				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets					87				
Total sheet 3 (71 to 86 less 87)					88		115		77
Grand total of admissible assets (39+69+88)					89		652		634
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)					91		652		634
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)					92				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings					93				
Other differences in the valuation of assets (other than for assets not valued above)					94				
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)					95				
Total assets determined in accordance with the insurance accounts rules (91 to 95)					99		652		634
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100				

Long term insurance business liabilities and marginsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R14	98235	GL	31	12	2003	£000	11
			As at the end of this financial year 1	As at the end of the previous year 2			Source	
Mathematical reserves, after distribution of surplus	11	25	32				See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12						See Instruction 3	
Balance of surplus/(valuation deficit)	13	72	57				See Instruction 4	
Long term insurance business fund carried forward (11 to 13)	14	97	89				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
Provisions for other risks and charges	Taxation	21						
	Other	22						
Deposits received from reinsurers	23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31					
		Reinsurance accepted	32					
		Reinsurance ceded	33					
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36					
	Other creditors	Taxation	37					
		Other	38	555	545			
Accruals and deferred income	39							
Provision for adverse changes (calculated in accordance with rule 5.3)	41							
Total other insurance and non-insurance liabilities (17 to 41)	49	555	545					
Excess of the value of net admissible assets	51						See Instruction 6	
Total liabilities and margins	59	652	634					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	551	535					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63						See Instruction 7	

Long term insurance business : Revenue accountName of insurer **The Yorkshire Insurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2003**Name and number of fund/Summary **Permanent Health 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund
			day	month	year				
R40	98235	GL	31	12	2003	£000	OB	1	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	1	1		
Investment income receivable before deduction of tax					12	37	29		
Increase (decrease) in the value of non-linked assets brought into account					13	(20)			
Increase (decrease) in the value of linked assets					14				
Other income					15				
Total income (11 to 15)					19	18	30		
Claims incurred					21	1	8		
Expenses payable					22	2	5		
Interest payable before deduction of tax					23				
Taxation					24	7	3		
Other expenditure					25				
Transfer to (from) non technical account					26				
Total expenditure (21 to 26)					29	10	16		
Increase (decrease) in fund in financial year (19-29)					39	8	14		
Fund brought forward					49	89	75		
Fund carried forward (39+49)					59	97	89		

Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4

Name of Company **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**

Financial year ended **31st December 2003**

1 The date to which the investigation relates is 31st December 2003.

2 The date to which the previous investigation related was 31st December 2002.

3 This valuation is in conformity with IPRU (INS) Rule 5.6.

4 (1) NON LINKED CONTRACTS

- (a) All contracts are fully described by the entry in column 1 of form 51 except miscellaneous benefits, which are accident benefits. Certain sickness benefit contracts have a waiver of premium. The sickness benefits in certain cases increase in yearly steps by 2.5% per annum compound during each period of disability.

5 (1) LINKED CONTRACTS

There are no linked contracts.

6 (1) The mathematical reserve was, subject to the exceptions specified below, the difference between the present value of the prospective benefits payable and the present value of the net premiums receivable.

- (a) No derivative contracts have been used.
- (b) All contracts were non profit with no discretionary charges.
- (c) The net premiums were obtained by limiting the true net premiums to a maximum of 92.5% of the office premiums, the modification being made to avoid taking credit for more than the premiums receivable and to provide for future expenses. There was no Zillmer adjustment.
- (d) No negative reserves arose.
- (e) The contracts do not participate in profits.
- (f) No reserve was made for potential taxation on unrealised capital gains.
- (g) There are no linked contracts or contracts falling within sub paragraphs (a) and (b) of paragraph 4(1) above.
- (h) There are no guarantees or options.

Principles adopted in the valuation of particular contracts were: -

- (i) Contracts with waiver of premium were valued by treating the premium waiver as an extra benefit.
- (ii) For contracts under which the benefit increases the reserves make explicit allowances for these increases.
- (iii) The reserve for accident benefits on sickness or accident benefit contracts was calculated as the present value of the prospective benefits on prudent assumptions.

7 (1) See Form 51.

Mortality

- (i) Active Lives 50% of AM80/AF80 ultimate
- (ii) Disabled Lives Mortality is included within the claim termination assumptions outlined below.

Morbidity

PHI claim inception rates have been based on CIDA rates, adjusted by factors dependent on age, occupation, gender, smoker status, location and duration in force. Further margins have been taken for prudence.

PHI claim termination rates have been based on CMIR12, adjusted by factors deferred period and duration, with further margins for prudence.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4

Name of Company **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**

Financial year ended **31st December 2003**

- (5) There is no explicit additional adjustment to mortality or morbidity in respect of AIDS.
- (6) The following changes in the future value of assets were tested when determining the amount of the long term liabilities:
- (i) the most onerous of a fall or rise in fixed interest yields of 20% of the long-term gilt yield.
 - (ii) risk free fixed interest yields for terms less than 5 years fall to the level calculated under IPRU (INS) Rule 5.11 (9) and yields for terms of 15 years or more remain constant. Yields for intermediate terms are assumed to fall to a level derived by linear interpolation between the IPRU (INS) Rule 5.11 (9) yield and the 15 year gilt index yield (or remain constant if already below this level).
 - (iii) fixed interest yields rise by 3 percentage points.
- Scenario (iii) produces the most onerous requirement.
- (7) No additional reserve was considered necessary pursuant to IPRU (INS) Rule 5.17 (a), having regard to the strength of the reserving basis and the nature of the assets hypothecated to the published liabilities.
- (8) A reserve of 1 (£000) pursuant to IPRU (INS) Rule 5.17 (b) has been included in the mathematical reserves.
- (a) In determining the long term liabilities in the changed investment conditions, no changes in assumptions were made other than an interest rate change.
- (b) Approved securities were hypothecated to cover the published liabilities. Allowance was made for the fall in value of the assets in the changed financial conditions.
- (c) (i) The fall in the value of the long term liabilities was 1 (£000)
(ii) The fall in the value of assets was 2 (£000)
- (9) Not applicable.
- 8** (a) See Form 51.
- (b) An additional reserve was made to provide for future expenses not covered by the valuation basis.
- (c) Not applicable.
- (d) Not applicable.
- 9** There are no linked contracts.
- 10** (1) Allowance has been made for inflation of expenses at 3.3%.
- (2) The allowance for expenses during 2003 is 4(£000). The allowance is derived from the excess of the office premium over the net premium valued and from explicit expense reserves of 12(£000).
- (3) No new business is being transacted.
- (4) Not applicable.
- 11** The mathematical reserves were expressed in Sterling and are matched by Sterling assets.
- 12** (1) No premiums were payable during the report period for business ceded on a facultative basis to reinsurers who are not permitted to carry on business in the United Kingdom.
- (2) There are no reinsurance treaties.
- (3) There are no financing arrangements.

Valuation Report prepared by the Appointed Actuary – IPRU (INS) Appendix 9.4

Name of Company **The Yorkshire Insurance Company Limited – Ordinary Long Term Business**

Financial year ended **31st December 2003**

13-16 There are no with profit contracts.

17-20 Forms 46-49 and 51 are appended.

21 (1) Form 57 is appended.

21 (2) No adjustment to the yield on assets was necessary.

22 Form 58 is appended.

23 Forms 60 is appended. [Form 61 is omitted.](#)

J Lister
Appointed Actuary

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **The Yorkshire Insurance Company Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2003**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	98235		GL	day	month				year
						31	12				2003
		£000	UK	NL							
	Life assurance and general annuity		Pensions business		Permanent health		Other business				
	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums			
	1	2	3	4	5	6	7	8			
In force at beginning of year	11				77	1					
New business and increases	12										
Net transfers and other alterations 'on'	13										
Total 'on' (12+13)	19										
Deaths	21										
Other insured events	22										
Maturities	23										
Surrenders	24										
Forfeitures	25				10						
Conversions to paid-up policies for reduced benefits	26										
Net transfers, expiries and other alterations 'off'	27				17						
Total 'off' (21 to 27)	29				27						
In force at end of year (11+19-29)	39				50	1					

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	98235	GL	31	12	2003	£000	11
			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings	11							
Fixed interest securities	Approved securities	12	539		36		4.57	
	Other	13						
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14						
	Other	15						
Equity shares and holdings in collective investment schemes	16							
Loans secured by mortgages	17							
All other assets	Producing income	18						
	Not producing income	19	113					
Total (11 to 19)	29		652		36		3.78	

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefitsName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Category of assets **Permanent Health**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of assets

R49	98235	GL	31	12	2003	£000	11
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Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities				Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		539	4.57					
More than five years but not more than ten years	13								
More than ten years but not more than fifteen years	14								
More than fifteen years but not more than twenty years	15								
More than twenty years but not more than twenty five years	16								
More than twenty five years	17								
Irredeemable	18								
Total (11 to 18)	19		539	4.57					
One year or less	21	Other fixed interest securities				Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22								
More than five years but not more than ten years	23								
More than ten years but not more than fifteen years	24								
More than fifteen years but not more than twenty years	25								
More than twenty years but not more than twenty five years	26								
More than twenty five years	27								
Irredeemable	28								
Total (21 to 28)	29								

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2003**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R51	98235	GL	31	12	2003	£000	UK	PHI	11
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Type of insurance or name of contract 1	Valuation basis		No of contracts 4	Amount of sums assured or annuities per annum, including vested reversionary bonuses 5	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits 8	Value of sums assured or annuities per annum, including vested reversionary bonuses 9	Value of annual premiums		Amount of mathematical reserves 12
	Rate of interest 2	Mortality or morbidity table 3			Office premiums 6	Net premiums 7			Office premiums 10	Net premiums 11	
DIRECT WRITTEN INSURANCE BUSINESS											
Non-Profit Policies											
Sickness Benefits	3.75%	See abstract 7	41	40 pa	1	1	0.116	5	3	2	3
Miscellaneous Benefits	-		9	14				1			1
Sickness Claims in Payment	4.00%	See abstract 7						8			8
Additional Reserve	-	-						13			13
Sub total: Non-Profit Policies			50	14 40 pa	1	1		27	3	2	25
Sub total: Direct Written Insurance Business			50	14 40 pa	1	1		27	3	2	25
Net total: Permanent Health Insurance Business			50	14 40 pa	1	1		27	3	2	25
Net total: United Kingdom Insurance Business			50	14 40 pa	1	1		27	3	2	25

Long term insurance business : Matching rectangleName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **3.75%**

Type of business

Permanent Health Insurance Business

Non profit

Category of assets

Permanent Health

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	98235	GL	31	12	2003	£000	Stg	3.75	PHI	NP	11
Type of asset notionally allocated	The valuation				The resilience scenario						
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %					
			On original allocation	Increase or decrease	Total under resilience scenario						
1	2	3	4	5	6						
Land and buildings	11										
Fixed interest securities	Approved securities	12	16	4.61	15	1	16	7.61			
	Other	13									
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15									
Equity shares and holdings in collective investment schemes	16										
Loans secured by mortgages	17										
All other assets	Producing income	18									
	Not producing income	19									
Total (11 to 19)	29	16	4.61	15	1	16	7.61				
Gross valuation interest rate %	31		3.75				6.00				
Net valuation interest rate % (where appropriate)	32										
Mathematical reserve or other liability, net of reinsurance	33	16					16				

Long term insurance business : Matching rectangleName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling liabilities

Valuation rate(s) of interest **4.00%**

Type of business

Permanent Health Insurance Business

Non profit

Category of assets

Permanent Health

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
R57	98235	GL	31	12	2003	£000	Stg	4.0	PHI	NP	11
Type of asset notionally allocated	The valuation				The resilience scenario						
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %					
			On original allocation	Increase or decrease	Total under resilience scenario						
1	2	3	4	5	6						
Land and buildings	11										
Fixed interest securities	Approved securities	12	8	4.61	7			7	7.61		
	Other	13									
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14									
	Other	15									
Equity shares and holdings in collective investment schemes	16										
Loans secured by mortgages	17										
All other assets	Producing income	18									
	Not producing income	19									
Total (11 to 19)	29	8	4.61	7			7	7.61			
Gross valuation interest rate %	31		4.00					6.23			
Net valuation interest rate % (where appropriate)	32										
Mathematical reserve or other liability, net of reinsurance	33	8					7				

Long term insurance business : Matching rectangleName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Total**

Type of business

With profits/Non profit

Category of assets

Permanent Health

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	98235	GL	31	12	2003	£000	99			11
Type of asset notionally allocated	The valuation				The resilience scenario					
	Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
			On original allocation	Increase or decrease	Total under resilience scenario					
1	2	3	4	5	6					
Land and buildings	11									
Fixed interest securities	Approved securities	12	24	4.61	22	1	23	7.61		
	Other	13								
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14								
	Other	15								
Equity shares and holdings in collective investment schemes	16									
Loans secured by mortgages	17									
All other assets	Producing income	18								
	Not producing income	19								
Total (11 to 19)	29	24	4.61	22	1	23	7.61			
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	24					23			

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplus

Category of surplus

Permanent Health**R58****98235****GL****31****12****2003****£000****11**

Valuation result	Fund carried forward		11	97
	Bonus payments made to policyholders in anticipation of a surplus		12	
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13	
		Transfer to other funds/parts of funds	14	
	Net transfer out of funds/parts of funds (13+14)		15	
	Total (11+12+15)		16	97
	Mathematical reserves for accumulating with profit policies		17	
	Mathematical reserves for other non linked contracts		18	25
	Mathematical reserves for property linked contracts		19	
	Mathematical reserves for index linked contracts		20	
	Total (17 to 20)		21	25
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29	72
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31	57
	Transfers into fund/part of fund	Transfer from non-technical account	32	
		Transfer from other funds/parts of fund	33	
	Net transfer into fund/part of fund (32+33)		34	
	Surplus arising since the last valuation		35	15
Total (31+34+35)		39	72	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41	
	Allocated to policyholders by way of	Cash bonuses	42	
		Reversionary bonuses	43	
		Other bonuses	44	
		Premium reductions	45	
	Total allocated to policyholders (41 to 45)		46	
	Net transfer out of fund/part of fund		47	
	Total distributed surplus (46+47)		48	
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49	72
Total (48+49)		59	72	
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 2002)	62	
	Earlier	(year of valuation 2001)	63	
	Earliest	(year of valuation 2000)	64	

Long term insurance business : Required minimum marginName of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R60	98235	GL	31	12	2003	£000
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Class		Classes I, II & IX	Class III business with relevant factor of				Class IV and VI	Classes VII and VIII business with relevant factor of					Unallocated additional mathematical reserves with relevant factor of		Total for all classes		
			4% 1	4% 2	1% 3	Nil 4		Total 5	4% 6	4% 7	1% 8	Nil 9	Total 10	4% 11	1% 12	The financial year 13	The previous year 14
Relevant factor (Instruction 1)																	
Mathematical reserves before deduction of reinsurance	Reserves before distribution of surplus	11					25									25	32
	Reserves for bonus allocated to policyholders	12															
	Reserves after distribution of surplus	13					25									25	32
Mathematical reserves after deduction of reinsurance	Reserves before distribution of surplus	14					25									25	32
	Reserves for bonus allocated to policyholders	15															
	Reserves after distribution of surplus	16					25									25	32
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)		17					1.00										
Required margin of solvency - first result = (line 13) * (line 17) * relevant factor		19					1									1	1
Non negative capital at risk before reinsurance (see Instruction 3)	Temporary assurances with required margin of solvency of 0.1%	21															
	Temporary assurances with required margin of solvency of 0.15%	22															
	All other assurances with required margin of solvency of 0.3%	23															
	Total (21 to 23)	29															
Non negative capital at risk after reinsurance (all contracts) (see Instruction 3)		31															
Ratio of line 31 to line 29, or 0.50 if greater		32															
Required margin of solvency - second result (see Instruction 4)		39															
Sum of first and second results (19+39)		49					1									1	1
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business		51															
Total required margin of solvency for long term insurance business (49+51)		59														1	1
Minimum guarantee fund		61														549	506
Required minimum margin (greater of lines 59 and 61)		69														549	506

Supplementary notes

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

4601 Total number of group contracts in force

There are no group contracts in force.

46A0 Form omitted

The entries on all Forms 46A are nil, accordingly these Forms are not required.

47A0 Form omitted

The entries on all Forms 47A are nil, accordingly these Forms are not required.

5101 Aggregate Liabilities and Adjustments

Additional reserve is a reserve to cover future expenses in excess of the expense allowance in the valuation.

5102 Double counting of contracts

The number of contracts shown in column 4 exceeds the actual number by 9.

5200 Form omitted

The entries on all Forms 52 are nil, accordingly these Forms are not required.

5300 Form omitted

The entries on all Forms 53 are nil, accordingly these Forms are not required.

5400 Form omitted

The entries on all Forms 54 are nil, accordingly these Forms are not required.

5500 Form omitted

The entries on all Forms 55 are nil, accordingly these Forms are not required.

5600 Form omitted

The entries on all Forms 56 are nil, accordingly these Forms are not required.

Supplementary notes

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

Code

0903 Other than long term insurance business assets allocated towards long term insurance business required minimum margin

For the financial year ending 31 December 2003 the long term insurance business returns state an amount of £477k at Form 9 line 22, this being the amount of other than long term insurance business assets of CGU Insurance plc allocated towards the long term insurance business required minimum margin.

1001 Reconciliation to shareholder accounts

The reconciliation to shareholders accounts is provided in the company's general business return which includes the company's shareholder funds.

1002 Line 65 - Other movements

Not applicable.

1003 Subordinated loan capital - section 68 order

Not applicable.

1301 Aggregate value of unlisted investments, etc. - other than long term business

1308

Not applicable.

1302 Aggregate value of hybrid securities

1309

Not applicable.

1304 Statement of amounts set off

1310

Amounts have been set off to the extent permitted by generally accepted accounting principles.

1305 Counterparty limits during the year

1311

The counterparty limits in relation to the company's investments are monitored regularly and are based on 2.5% of the long-term insurance business amount.

1306 Counterparty exposure at the year end

1312

Counterparty exposures with deposit takers which exceeded 5% of the Long Term Insurance Business Amount as at 31 December 2003 are as follows:

£'000

Chase Manhattan Bank

113

1307 Fully secured rights

1313

Not applicable.

1315 Other assets

Not applicable.

1318 Financial statements

The financial statements of the company had not been signed by the date on which this return was signed. The reconciliation in lines 91 to 99 is to the draft financial statements.

Supplementary notes

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

1319 Deposits with credit institutions

Under Appendix 4.2 IPRU (INS) advantage has been taken of the option allowing an admissibility limit for debts due from approved credit institutions of £2m, rather than 20% of the long term insurance business amount. The Yorkshire Insurance Company Limited has placed deposits with Chase Manhattan Bank.

1401 Provision for adverse changes

No provision for adverse changes is required as no assets are held which would give rise to a future liability, which would not be covered by appropriate assets.

1402 Contingent liabilities, etc.

There are no charges over any assets of the business. There are no contingent liabilities, guarantees, indemnities, or other contractual commitments or other fundamental uncertainties to report.

No provision has been made in Appendices 9.1 or 9.3 for any potential liabilities to taxation on capital gains, which might arise if the company disposed of its assets. Any such potential liability has been taken into account by the appointed actuary in the valuation of the liabilities of the long-term insurance business.

1500 Form omitted

1600

1700

The entries on all Forms 15, 16 and 17 are nil, accordingly these forms are not required.

4005 Foreign currency conversion

Not applicable.

4008 Provision of management services

Under a management agreement NU Life Services Limited supplies and makes a charge for the provision of management services to the Company.

4300 Form omitted

4400

4500

The entries on all Forms 43, 44 and 45 are nil, accordingly these forms are not required.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

Derivative contracts may be held for hedging purposes where this is considered advisable locally subject to authority from Group Centre. None were held within the long-term insurance business fund in 2003.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

100% of the issued shares of the Company is held by CGU Insurance plc.

100% of the issued share capital of CGU Insurance plc is held by CGU International Insurance plc.

100% of the issued share capital of CGU International Insurance plc is held by Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the Ultimate Parent Undertaking, Aviva plc.

There have been no changes to the above position during the year.

All shares are voting shares.

Statement of information on appointed actuary required by IPRU (INS) 9.36

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, J Lister, the appointed actuary of the Company, was requested to furnish and has provided the following information:

- (a)
- (1) An interest in 6,461 ordinary shares at 31 December 2003 in Aviva plc, and an interest in 5,110 ordinary shares at 31 December 2002.
 - (2) 25,409 ordinary shares are held in the Aviva Long Term Incentive Plan and 20,166 ordinary shares are held in the CGNU Deferred Bonus Plan.
 - (3) Options were held at 31 December 2003 to subscribe for 30,524 ordinary shares in Aviva plc under UK Employees Savings Related and Executive Share Option Schemes:

	No. of shares
Options held at 31 December 2002	37,253
Options granted during the year	-
Options exercised or lapsed during the year	(6,729)

- (b) Two low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £46,000 and monthly premiums of £259. The actuary also holds a number of investment products managed by Norwich Union Investment Funds Limited. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £2,000 were paid in the year to 31 December 2003.
- (c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for 2003 was £193,875. Under the contract he was Appointed Actuary and Director of:

Fidelity Life Assurance Limited

appointed actuary of:-

The Yorkshire Insurance Company Limited
CGU Insurance plc
TPFL Limited

And a director of:-

The General Practice Finance Corporation Limited
The General Practice Finance Corporation Property Management Limited
Norwich Union Commercial Finance Limited
Norwich Union Commercial Mortgages Limited
Norwich Union Mortgage Finance Limited
Norwich Union Mortgages (Life) Limited
Norwich Union Mortgage Holdings Limited

- (d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

We certify:

- 1 (a)** in relation to the part of the return comprising Forms 9, 9A, 10, 13, 14, and 40 to 42, (including the supplementary notes) and the statements required by rules 9.29 and 9.30 that:

 - (i) the return has been prepared in accordance with the Accounts and Statements Rules;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by The Yorkshire Insurance Company Limited (the Company); and
 - (iii) appropriate systems and controls have been established and maintained by the Company over its transactions and records;
- (b)** that reasonable enquiries have been made by the Company for the purpose of identifying material connected-party transactions;
- (c)** that in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (d)** in relation to the statement required by rule 9.36:

 - (i) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) that the information given has been ascertained in conformity with that rule.
- 2** that the margin of solvency for long term insurance business required by rule 2.1 has been maintained throughout the financial year.
- 3 (a)** that the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rules 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;

(b) that any amount payable from or receivable by the long term insurance business funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;

(c) that all guarantees given by the Company of the performance by a related company which would fall to be met by any long term insurance business fund have been disclosed in the return, and that the funds on which each such guarantee would fall has been identified therein;

(d) that the investment policy and practice of the Company in respect of the internal linked funds maintained was, during the financial year, consistent with any representations made to policyholders or potential policyholders of the Company;

(e) that the returns in respect of long term insurance business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links, or by any arrangements which could affect the apportionment of expenses and income; and

(f) that the Company has fully complied with the requirements of rule 3.5.

Returns under the Accounts and Statements Rules

Certificate by the directors required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

4 (a) that the systems and controls established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:

- (i) Guidance Note P.1 – ‘Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives’;
- (ii) ‘The prevention of Money Laundering - Guidance Notes for the UK Financial Sector’ (revised December 2001) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future; and

(b) the return has been prepared in accordance with the following published guidance:

- (i) Guidance Note 4.1 - ‘Guidance for insurers and auditors on the Valuation of Assets Rules’;
- (ii) Guidance Note 4.2 - ‘Use of derivative contracts in insurance funds’; and
- (iii) Guidance Note 9.1 - ‘Preparation of Returns’.

..... **R J HARVEY**
Chief Executive

..... **P TWYMAN**
Director

..... **P J R SNOWBALL**
Director

24 March 2004

Certificate by the appointed actuary required by IPRU (INS) 9.34(b) and IPRU (INS) Appendix 9.6

Name of insurer **The Yorkshire Insurance Company Limited**

Global business

Financial year ended **31st December 2003**

I certify:

- (a)**
- (i) that in my opinion proper records have been kept by The Yorkshire Insurance Company Limited (the Company) adequate for the purpose of the valuation of the liabilities of its long term insurance business;
 - (ii) that the mathematical reserves as shown on Form 14 constitute proper provision as at 31 December 2002 for the long term insurance business liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an investigation as at that date into the financial condition of the long term insurance business;
 - (iii) that for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13;
 - (iv) that the current versions of Guidance Notes, issued by the Institute of Actuaries and the Faculty of Actuaries, numbered GN1 (effective date 01.09.03), GN2, GN7, GN8, GN22 and GN25 have been complied with; and
 - (v) that in my opinion premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves.
- (b)** that the amount of the required minimum margin applicable to the Company's long term insurance business immediately following the end of the financial year (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £549,000.

J Lister

Appointed Actuary

24 March 2004

Returns under the Accounts and Statements Rules

Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **The Yorkshire Insurance Company Limited**

Global Business

Financial year ended **31st December 2003**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in Chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 (the "Act").

- Forms 9, 9A, 10, 13, 14 and 40 to 42 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 on page 26 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on page 29 ("the certificate").

In the case of the certificate, our examination did not extend to:

- a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning controllers and Information on the appointed actuary;
- b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. Our examination has been undertaken so that we might state to the company's directors those matters we are required by the Rules to state to them in an auditors' 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 for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statement and certificate) under the provisions of the Rules. Under rule 9.11 the Forms and statement are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and statement meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statement therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Bases of opinions

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statement. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

We planned and performed our work 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 Forms and statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on the certificate of the actuary on page 31 with respect to the mathematical reserves and the required minimum margin.

Opinions

In our opinion:

- (a) the Forms and statement fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Rules; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

Ernst & Young LLP
Registered Auditor
London
25 March 2004