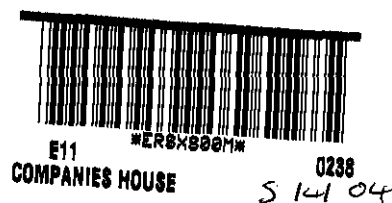


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STANDARD LIFE HEALTHCARE LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 15 NOVEMBER 2003
(Registered Number: 2123483)



Standard Life Healthcare Limited

Contents

	Page
Directors and Officers	2
Chairman's Statement	3
Chief Executive's Report	4
Report by the Directors	6
Statement of Directors' Responsibilities	8
Report of the Auditors	9
Profit and Loss Account	10
Balance Sheet	12
Notes to the Accounts	14

Standard Life Healthcare Limited

Directors and Officers

Chairman

Sandy Crombie FFA

Directors

Tim Bailey BA ACA*

Marco Cereste OMRI FLinstD MBA C.Dir

Mike Hall DMS MBA C.Dir*

John Hylands BSc FFA

Iain McMillan MinstSMM*

Caroline Southwood FIPR*

Bob Watts*

Philip Wright BA FCIM*

Secretary

Tim Bailey BA ACA*

Registered Office

Wey House

Farnham Road

Guildford

Surrey

GU1 4XS

Auditors

PricewaterhouseCoopers LLP

10 Bricket Road

St Albans

Herts

AL1 3JX

* Executive Director

Standard Life Healthcare Limited

Chairman's Statement

I am pleased to report that 2003 was a very successful year for the Company, despite only small growth in the overall size of the private medical insurance market. We increased our new business sales by 25% over 2002 levels, and our total business in force grew by over £20m to £194m at 15 November 2003, with insured lives of 425,000.

The Company's overall financial result also improved due to both better underwriting results and investment returns.

Staff

I am very grateful to all our staff for their hard work, dedication and commitment throughout the year, and I congratulate them on the high quality service they provide to all our customers. The quality of this service was recognised for the third successive year at the 2003 Health Insurance Awards, where we again won the 'Best Customer Service' award as well as the top award of 'Health Insurance Company of the Year'.

Board

I thank and congratulate Mike Hall and his fellow Executive Directors for their leadership, hard work and achievements over the year.

I am very pleased to welcome Caroline Southwood to the Board as an Executive Director with effect from June 2003.

Jim Black resigned as an Executive Director in January 2004 to return to our parent company, and I thank him on behalf of all the Directors for his contribution to the Board over the last three years.

Future

We will continue to aim to provide a first class range of products and award winning customer service. In this way, despite the strong competition in our market, I am confident that we can continue to increase our market share and improve our financial results.

Sandy Crombie
Chairman
26 January 2004

Standard Life Healthcare Limited

Chief Executive's Report

2003 has been another successful year for Standard Life Healthcare. Despite the private medical insurance market continuing to grow only slowly, we achieved a 25% increase in new business sales over last year, following on from a 26% rise in 2002. These increases have led to significant growth in our market share.

Overall, our premium income has grown 12% over 2002 with a 9% rise in lives covered. Our claims ratios continue to be well controlled and remain satisfactory, and our lapse rates improved over last year.

We have maintained our concentration on customer service excellence, again achieving industry awards for 'Company of the Year', 'Best Customer Service' and 'Best Individual PMI Provider' (for the third year running). In addition, we also won the awards for 'Best Group PMI Provider' and 'Best Use of Marketing'. Our customer satisfaction scores have improved further during the past year, illustrating our commitment to continuously improving our service.

Our financial results for the year were significantly above plan and represent an improvement of £9.1m over 2002. The results are satisfactory given the financial strain associated with writing high levels of new business over the past 2 years.

The success of our business has been achieved through the remarkable efforts of our staff who have shown tremendous commitment to further enhancing our customers' experience. I am proud of their dedication and achievements and would like to take this opportunity to thank them all.

Development

Telephone claims assessment is now being offered to all our intermediated customers. We will complete this development for direct customers in the first half of 2004.

We have launched a secure electronic renewal service to intermediaries which facilitates easier and faster access to policy administration and feedback received has been extremely positive.

We successfully re-entered the large corporate market at the beginning of 2003, offering the same high quality service and competitive pricing to a market segment which has lacked sufficient competition in the past.

2003 saw the completion of our joint venture with other insurers and providers to provide electronic transmission of treatment invoices from hospitals, thereby reducing costs and improving efficiency. In 2004 the joint venture partners plan to extend this service to consultants.

We introduced a 'health and well being' service to our large corporate customers, to assist them in managing sickness/absence and in improving the overall well being of their staff, thereby increasing productivity. We expect to develop this service further over the coming year.

We have continued to develop our product offerings to customers to ensure that they remain competitive in terms of both benefits and price.

Standard Life Healthcare Limited

Chief Executive's Report (continued)

Staff

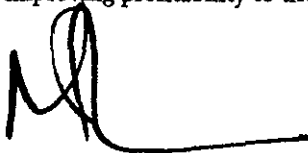
Our single most important asset is our people. We are committed to enhancing Standard Life Healthcare as a great place to work. We continued to invest throughout 2003 in the development and training of our staff, and saw reductions in staff turnover rates and consequent improvements in productivity.

The Future

We believe we are well prepared for the forthcoming FSA regulation of general insurance companies, having set very high standards already for our sales and service processes.

We will work to develop our business strategy to meet the changing needs of the healthcare market and our activities in product development will see further innovation in 2004.

Our focus on giving excellent customer service, coupled with outstanding products and competitive pricing, will ensure that we will continue to outperform our competitors in terms of growth as well as delivering improving profitability to the Standard Life Group.

A handwritten signature in black ink, appearing to be 'M Hall', with a long horizontal line extending to the right.

Michael A Hall
Chief Executive
26 January 2004

Standard Life Healthcare Limited

Report by the Directors

The directors present their Report and the Accounts for the year ended 15 November 2003.

Principal activity and business review

The principal activity of the Company is the undertaking of general insurance business in the United Kingdom, particularly the provision and administration of medical and other health insurance products.

In 2003 the Company's gross written premiums grew by 12% over 2002. Claims ratios continued to perform well in 2003 and the financial result improved to a profit for the year of £2.5m after tax, with both a better technical account result and investment returns. Our solvency levels remain satisfactory.

Results and transfers to reserves

The results for the year are set out on pages 10 and 11.

Directors

The names of the current directors are listed on page 2. Caroline Southwood was appointed as a director on 16 June 2003.

Jim Black resigned as a director on 2 January 2004.

The appointment of directors is not subject to retirement by rotation. None of the directors has a beneficial interest in the shares of the company, which is a wholly owned subsidiary of The Standard Life Assurance Company.

Employees

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disablement. The Company will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate.

Standard Life Healthcare Limited

Report by the Directors (continued)

Employee Involvement

It is the Company's policy to have effective communication and consultation with staff. Staff involvement is achieved through meetings, briefings and newsletters which help to ensure that staff are fully aware of the organisation's goals and results. In addition, staff representatives are elected to the Staff Consultative Committee which meets four times a year with management to discuss formally matters of general staff interest or concern. Minutes of these meetings are made available to staff.

Supplier payment policy

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier. The average duration of amounts owing to suppliers at 15 November 2003 was 20 days (2002:13 days)

Charitable and political donations

No charitable donations were made by the Company during the year and no contributions were made for political purposes.

Auditors

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office.

On behalf of the Board of Directors.

T. R. Bailey

Tim Bailey
Secretary
26 January 2004

Standard Life Healthcare Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which comply with the Companies Act 1985 and give a true and fair view of the state of affairs of the Company and of the results of the Company for that period. In addition, the directors should take all reasonable steps to ensure that adequate accounting records are maintained, that the assets of the Company are safeguarded and that fraud and other irregularities are prevented or detected.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts of the Company for the year ended 15 November 2003. The directors also confirm that the accounts have been appropriately prepared on a going concern basis and that applicable accounting standards have been followed as described in the Accounting Policies.

Standard Life Healthcare Limited

Independent Auditors' Report to the members of Standard Life Healthcare 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 under the historical cost convention and 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 on page 8.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom 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, chairman's statement and chief executive's report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 15 November 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans AL1 3JX
26 January 2004

Standard Life Healthcare Limited

Profit and Loss Account for the year ended 15 November 2003

Technical Account - General Business

	Notes	2003 £'000	2002 £'000
Earned premiums, net of reinsurance			
Gross premiums written	2	193,728	172,812
Outward reinsurance premiums		(377)	(424)
		<hr/>	<hr/>
Net premiums written		193,351	172,388
Change in the provision for unearned premiums - gross amount		(10,490)	(5,121)
- reinsurers' share		(15)	(31)
		<hr/>	<hr/>
		(10,505)	(5,152)
		<hr/>	<hr/>
		182,846	167,236
		<hr/>	<hr/>
Claims incurred, net of reinsurance			
Claims paid - gross amount		128,596	122,127
- reinsurers' share		(421)	(435)
		<hr/>	<hr/>
		128,175	121,692
		<hr/>	<hr/>
Change in the provision for claims - gross amount		(6,089)	(5,064)
- reinsurers' share		(514)	(86)
		<hr/>	<hr/>
		(6,603)	(5,150)
		<hr/>	<hr/>
	14	121,572	116,542
		<hr/>	<hr/>
Net operating expenses	3	64,166	55,948
		<hr/>	<hr/>
Balance on the technical account for general business		(2,892)	(5,254)
		<hr/>	<hr/>

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

Standard Life Healthcare Limited

Profit and Loss Account for the year ended 15 November 2003

Non-Technical Account

	Notes	2003 £'000	2002 £'000
Balance on the general business technical account		(2,892)	(5,254)
Investment income	4	4,518	5,479
Unrealised gain/(loss) on investments	4	1,674	(5,927)
Investment expenses		(87)	(98)
Other income		235	122
Profit/(loss) on ordinary activities before tax		3,448	(5,678)
Tax on profit/(loss) on ordinary activities	5	(940)	3,274
Profit/(loss) for the year	13	2,508	(2,404)

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

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

Standard Life Healthcare Limited

Balance Sheet as at 15 November 2003

	Notes	2003 £'000	2002 £'000
ASSETS			
Investments	8	114,997	113,943
Reinsurers' share of technical provisions			
Provision for unearned premiums		195	210
Claims outstanding		2,983	2,469
		<u>3,178</u>	<u>2,679</u>
Debtors			
Debtors arising out of direct insurance operations - policyholders		68,654	62,513
Other debtors	9	2,401	4,707
		<u>71,055</u>	<u>67,220</u>
Other assets			
Tangible assets	10	1,890	1,683
Cash at bank and in hand		697	397
		<u>2,587</u>	<u>2,080</u>
Prepayments and accrued income			
Accrued interest and rent		612	808
Deferred acquisition costs		17,958	14,553
Other prepayments and accrued income		1,224	907
		<u>19,794</u>	<u>16,268</u>
TOTAL ASSETS		<u>211,611</u>	<u>202,190</u>

Standard Life Healthcare Limited

Balance Sheet as at 15 November 2003

	Notes	2003 £'000	2002 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	12	116,000	116,000
Profit and loss account	13	(44,314)	(46,822)
Shareholder's funds - equity interests		<u>71,686</u>	<u>69,178</u>
Technical provisions			
Provision for unearned premiums		99,049	88,559
Claims outstanding	14	25,183	31,472
		<u>124,232</u>	<u>120,031</u>
Creditors			
Creditors arising out of direct insurance operations		4,431	4,458
Other creditors including taxation and social security	16	8,326	5,585
		<u>12,757</u>	<u>10,043</u>
Accruals and deferred income		<u>2,936</u>	<u>2,939</u>
TOTAL LIABILITIES		<u><u>211,611</u></u>	<u><u>202,190</u></u>

On behalf of the Board of Directors.

T. R. Bailey

Tim Bailey
Finance Director
26 January 2004

Notes to the Accounts

1. Accounting policies

(a) Basis of presentation

The accounts have been prepared in accordance with the provisions of Section 255A, and Schedule 9A, to the Companies Act 1985, which cover the disclosures applicable to insurance companies.

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business issued in December 2003.

(b) Technical account

Premiums due on monthly paid policies, together with the related commission, are accounted for on an annual premium income basis.

Unearned premiums represent that proportion of premiums accounted for in periods up to the accounting date which are attributable to subsequent periods.

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims, whether reported or not, together with any other adjustment to claims from previous years. Where applicable, deductions are made for reinsurance and other recoveries. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

Outstanding claims comprise provisions for the claims and associated expenses incurred up to, but not paid at, the balance sheet date, whether reported or not.

Commission is deferred on the same basis as unearned premiums and is dealt with in the revenue account within acquisition costs and in the balance sheet within deferred acquisition costs.

Costs, other than commission, attributable to the acquisition and processing of new and renewal business have been deferred on the same basis as commission.

(c) Unexpired risk

Where expected claims, and associated expenses, exceed unearned premiums a provision is created to ensure that the deficiency is covered. The expected claims are calculated with regard to forecast claims incidence and cost.

(d) Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Notes to the Accounts (continued)

1 Accounting policies (continued)

(e) Deferred Tax

Deferred taxation is recognised on a discounted basis for all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The value of any deferred tax asset is calculated using the average tax rates expected to be applicable in the periods in which the timing differences are expected to reverse. The value of the tax assets is then discounted at the corresponding gilt rates extant at the year end in order to reflect the time value of money.

(f) Investment income and investments

Investment income consists of interest on deposits and fixed interest securities and dividends from other fixed asset investments. Gains or losses arising from the realisation of, and changes in the market value of, investments are taken directly to the non-technical account. Realised gains and losses on investments are calculated as the difference between net sale proceeds and their original cost.

Long term unlisted investments and loans are included at the directors' valuation. Investments that mature within one year have been included at realisable value at maturity; all other investments are included at market value.

(g) Pension costs

The Company is a member of the parent undertaking's defined benefit scheme.

Charges in respect of employer's contributions are calculated on a basis which spreads the cost over the service lives of scheme members (see note 15).

(h) Tangible assets

Tangible assets are capitalised and depreciated by equal instalments over their estimated useful lives which range from 4 to 10 years. The depreciation rates are:

Fixtures and fittings	between 10% and 20%
Motor vehicles	25%

(i) Cashflow Statement

A Cashflow Statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) "Cashflow Statements" as consolidated accounts in which the Company is included are publicly available (see note 20).

2 Segmental analysis

There is only one class of business, that of accident and health general insurance. During the year the company had no significant activities outside the United Kingdom. Accordingly, no segmental information is disclosed.

Standard Life Healthcare Limited

Notes to the Accounts (continued)

3 Net operating expenses

	2003 £'000	2002 £'000
Charge/(credit) in the year:		
Acquisition costs	31,553	25,029
Change in deferred acquisition costs	(3,407)	(3,308)
Administration expenses	36,082	34,773
Financial Services Compensation Scheme	-	(477)
Reinsurance commission	(62)	(69)
	<u>64,166</u>	<u>55,948</u>

	2003 £'000	2002 £'000
The profit/(loss) is stated after charging:		
Depreciation	617	530
Operating lease rentals - other	1,526	1,394

The remuneration and expenses of the auditors for the audit of the accounts was £45,100 (2002: £42,500).
 Their remuneration in respect of other work was £26,215 (2002: £135,961).

Total commission accounted for by direct insurance during the year, excluding payments to employees, amounted to £18,623,447 (2002: £13,854,623).

4 Investment return summary

	2003 £'000	2002 £'000
Investment income		
Income from other investments		
Listed	1,430	1,442
Deposits	3,088	4,037
	<u>4,518</u>	<u>5,479</u>
Unrealised gain /(loss) on investments	1,674	(5,927)
Total investment return	<u>6,192</u>	<u>(448)</u>

Standard Life Healthcare Limited

Notes to the Accounts (continued)

5	Tax on profit/(loss) on ordinary activities	2003 £'000	2002 £'000
	Current tax:		
	Group tax relief - in respect of previous periods	-	(792)
	Total current tax	-	(792)
	Deferred tax:		
	Origination and reversal of timing differences	1,045	(2,694)
	Movement in discount	(105)	212
	Tax on profit/(loss) on ordinary activities	940	(3,274)

There are no UK taxation liabilities in the year due to the availability of tax losses brought forward. The discounted deferred tax asset of £2.0m (2002 - £2.9m) in respect of these losses and other timing differences has been recognised as an asset. The movements in the asset are taken to the Profit and Loss Account. The directors fully expect that there will be taxable profits in future years against which the deferred tax asset can be recovered.

A reconciliation of current tax on profit/(loss) on ordinary activities at the standard UK corporation tax rate to the company's actual current tax charge/(credit) for the years ended 15 November 2003 and 2002 is shown as follows:

	2003 £'000	2002 £'000
Profit/(loss) on ordinary activities before tax	3,448	(5,678)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax 30%	1,034	(1,704)
Effects of:		
Expenses not deductible for tax purposes	101	-
Income not taxable	(132)	(157)
Capital allowances for period in excess of depreciation	(252)	(333)
Current year losses not group relieved	-	2,194
Adjustment in respect of previous periods	-	(792)
Utilisation of prior year tax losses	(751)	-
Current tax charge/(credit) for year	-	(792)

Standard Life Healthcare Limited

Notes to the Accounts (continued)

6 Staff costs

The average number of persons employed by the Company during the year was:	2003	2002
Administration	501	442
Claims	141	167
Sales and marketing	140	134
	<hr/>	<hr/>
	782	743
	<hr/>	<hr/>

The aggregate remuneration payable in respect of those employees was:	2003	2002
	£'000	£'000
Wages and salaries	18,915	17,827
Social security costs	1,453	1,234
Other pension costs	2,567	2,242
	<hr/>	<hr/>
	22,935	21,303
	<hr/>	<hr/>

7 Directors' emoluments

	2003	2002
	£'000	£'000
Fees to non-executive directors	16	15
Other emoluments	1,026	781
Aggregate value of company contributions paid to pension scheme	111	84
	<hr/>	<hr/>
	1,153	880
	<hr/>	<hr/>

Retirement benefits are accruing to all executive directors under a defined benefit scheme operated by the parent undertaking.

The emoluments of the highest paid director (excluding pension contributions) were £279,000 (2002: £273,000)

The accrued pension at the end of the year for the highest paid director was £23,000 (2002: £16,958)

8 Financial Investments

	2003	2002
	£'000	£'000
Valuation		
Shares and other variable yield securities and open ended investment companies	94,881	94,000
Debt securities and other fixed income securities	18,966	19,793
Deposits with credit institutions	1,000	-
Other	150	150
	<hr/>	<hr/>
	114,997	113,943
	<hr/>	<hr/>
Cost		
Shares and other variable yield securities and open ended investment companies	99,412	101,033
Debt securities and other fixed income securities	19,446	19,446
Deposits with credit institutions	1,000	-
Other	150	150
	<hr/>	<hr/>
	120,008	120,629
	<hr/>	<hr/>

Standard Life Healthcare Limited

Notes to the Accounts (continued)

9	Other debtors		2003	2002
			£'000	£'000
	Amounts due from parent or fellow subsidiary		-	1,524
	Trade debtors		433	275
	Deferred tax asset		1,968	2,908
			<hr/>	<hr/>
			2,401	4,707
			<hr/>	<hr/>
			2003	2002
			£'000	£'000
	Deferred tax asset:			
	Excess of accounting depreciation over tax depreciation		746	1,002
	Tax losses carried forward		1,405	2,194
			<hr/>	<hr/>
	Undiscounted deferred tax asset		2,151	3,196
	Discount		(183)	(288)
			<hr/>	<hr/>
	Discounted deferred tax asset		1,968	2,908
			<hr/>	<hr/>
	Opening deferred tax asset		2,908	426
			<hr/>	<hr/>
	Movement in year		(940)	2,482
			<hr/>	<hr/>
	Closing deferred tax asset		1,968	2,908
			<hr/>	<hr/>
10	Tangible assets			
			Fixtures & fittings £'000	Motor vehicles £'000
	Cost			Total £'000
	At 16 November 2002		2,147	900
	Additions		560	358
	Disposals		(55)	(354)
			<hr/>	<hr/>
	At 15 November 2003		2,652	904
			<hr/>	<hr/>
	Depreciation			
	At 16 November 2002		1,006	358
	Charge for year		392	225
	Disposals		(54)	(261)
			<hr/>	<hr/>
	At 15 November 2003		1,344	322
			<hr/>	<hr/>
	Net book amount			
	At 15 November 2003		1,308	582
			<hr/>	<hr/>
	At 15 November 2002		1,141	542
			<hr/>	<hr/>

11 Capital Commitments

As at 15 November 2003 the Company was committed to capital expenditure amounting to £17,820 (2002: Nil)

Standard Life Healthcare Limited

Notes to the Accounts (continued)

12	Share capital	2003	2002
		£'000	£'000
	Authorised	150,000	150,000
	Allotted, called up and fully paid		
	116,000,000 ordinary shares of £1 each (2002: 116,000,000)	116,000	116,000
13	Profit and loss account		£'000
			(46,822)
			2,508
			(44,314)
14	Claims outstanding	2003	2002
		£'000	£'000
	Gross claims outstanding	24,533	30,622
	Claims handling provision	650	850
		25,183	31,472

A surplus of £10.1m was experienced during the year on the run-off of the claims reserve at 15 November 2002.

15 Pensions

The parent undertaking operates a pension scheme for its employees and those of its subsidiaries providing benefits based on final pensionable pay. The contributions to the scheme are determined by qualified actuaries employed by the parent undertaking using the projected unit credit method. These continue to be accounted for in accordance with SSAP 24.

FRS 17 - Retirement Benefits has been amended by the Accounting Standards Board to extend the transitional arrangements and therefore defer the mandatory requirement for full adoption until 15 November 2006. As the Company's employees only form part of the multi-employer scheme operated by the parent undertaking for which the assets and liabilities relating to individual subsidiaries are not identified, on full adoption of FRS 17, the Company will account for its pension contributions as if they were made to a defined contribution scheme.

Full details of the parent undertaking's pension scheme, including transitional disclosures required under FRS 17, are contained in the financial statements of The Standard Life Assurance Company.

16 Other creditors including taxation and social security

	2003	2002
	£'000	£'000
Amounts owed to parent or fellow subsidiary	282	-
Trade creditors	2,440	463
Insurance premium tax	2,503	2,371
Uncleared banking items	3,101	2,751
	8,326	5,585

All creditors are payable within a period of one year from the balance sheet date.

Amounts classified as bank overdrafts in the previous year have been reclassified as Uncleared banking items to accord with the current year presentation. Uncleared banking items represent unrepresented cheques at the balance sheet date.

Standard Life Healthcare Limited

Notes to the Accounts (continued)

17 Obligations under operating leases

At 15 November 2003 the Company had annual commitments under operating leases as set out below:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	1,087	4
In the second to fifth years inclusive	267	31
Exceeding five years	164	-
	<hr/> 1,518	<hr/> 35

18 Reconciliation of movements in shareholder's funds

	2003 £'000	2002 £'000
Opening shareholder's funds	69,178	71,582
Profit/(loss) for the year	2,508	(2,404)
	<hr/> 71,686	<hr/> 69,178

19 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions and balances with other undertakings of the Standard Life Group.

20 Parent undertaking

The Company is a wholly owned subsidiary of The Standard Life Assurance Company.

Copies of the accounts of the parent undertaking can be obtained at 30 Lothian Road, Edinburgh, EH1 2DH.