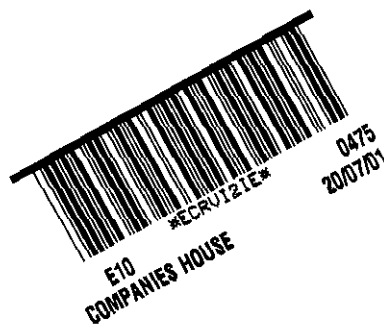


ABBAY NATIONAL HEALTHCARE LIMITED

HM TREASURY ANNUAL RETURN

FINANCIAL YEAR ENDING 31 DECEMBER 2000

AC1779



CONTENTS

ABBAY NATIONAL HEALTHCARE LIMITED

Section 1	Forms
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Statement of solvency

ABBEY NATIONAL HEALTHCARE LIMITED

Name of company

GLOBAL BUSINESS

Global business/UK branch business/EEA branch business

Financial year ended 31 DECEMBER 2000

Company
registration
number

GL/UK/CM

Period ended
day month year

Units

R9	3249879	GL	31	12	2000	£000
----	---------	----	----	----	------	------

	As at the end of this financial year	As at the end of the previous year	Source		
	1	2	Form	Line	Column

GENERAL BUSINESS

Available assets

Other than long term business assets allocated towards general business required minimum margin	11	239	21,171	See instructions 1 and 2	
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Required minimum margin

Required minimum margin for general business	12	542	382	12	49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13	(303)	20,789		

LONG TERM BUSINESS

Available assets

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

Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994

Future profits	31				
Zillmerising	32				
Hidden reserves	33				
Total of available assets and implicit items (25+31+32+33)	34				

Required minimum margin

Required minimum margin for long term business	41			60	69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42				
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 business as shown in a supplementary note to Form 15	51			See instruction 6	
Quantifiable contingent liabilities in respect of long term business as shown in a supplementary note to Form 14	52			See instruction 6	

Statement of net assets

Name of company ABBEY NATIONAL HEALTHCARE LIMITED

Global business/UK branch business/EEA branch business GLOBAL BUSINESS

Financial year ended 31 DECEMBER 2000

R10	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	3249879	GL	31	12	2000	£000

		As at the end of this financial year 1	As at the end of the previous year 2	Source		
				Form	Line	Column
Long term business - admissible assets	11			13	89	1
Long term business - liabilities and margins	12			14	59	1

Other than Long term business - admissible assets	21	3,835	24,845	13	89	1
Other than Long term business - liabilities	22	3,596	3,674	15	69	1
Net admissible assets (21-22)	23	239	21,171			
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 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	239	21,171			

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	10,500	24,000			
Amounts included in lines 24 to 27 above	52					
Amounts representing the balance of net assets	56	(10,261)	(2,829)			
Total (51 to 56) and equal to line 29 above	59	239	21,171			

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

Balance brought forward at the beginning of the financial year	61	(2,829)	(3,581)	10	56	2
Retained profit/(loss) for the financial year	62	213	293	16	59	1
Movement in asset valuation differences	63	(7,645)	459	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	(10,261)	(2,829)			

ABBNEY NATIONAL HEALTHCARE LIMITED

Global business/UK branch business/EEA branch business

GLOBAL BUSINESS

31 DECEMBER 2000

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
R11		3249879	GL	31	12	2000	£000
		This financial year		Previous year			
		1		2			
Gross premiums receivable		11	4,318		2,822		
Premium taxes and levies (included in line 11)		12					
Sub-total A (11-12)		13	4,318		2,822		
Adjusted Sub-total A if financial year is not a 12 month period to produce an annual figure		14	4,318		2,822		
Division of Sub-total A (or adjusted Sub-total A if appropriate)	Other than health insurance	Up to and including sterling equivalent of 10M ECU x 18/100	15	724		508	
		Excess (if any) over 10M ECU x 16/100	16				
	Health insurance	Up to and including sterling equivalent of 10M ECU x 6/100	17				
		Excess (if any) over 10M ECU x 16/300	18				
Sub-total B (15+16+17+18)		19	724		508		
Claims paid		21	1491		619		
Claims outstanding carried forward at the end of the financial year	For business accounted for on an underwriting year basis		22				
	For business accounted for on an accident year basis		23	300		265	
Claims outstanding brought forward at the beginning of the financial year	For business accounted for on an underwriting year basis		24				
	For business accounted for on an accident year basis		25	265		75	
Sub-total C (21+22+23-(24+25))		29	1526		809		
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		30	386		200		
Sub-total D (29-30)		39	1140		609		
First result Sub-total B x Sub-total D (or, if ½ is a greater fraction, x ½) Sub-total C		41	542		382		

General business : Calculation of required margin of solvency - second method, and statement of required minimum marginName of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

R12	3249879	GL	31	12	2000	£000
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			This financial year	Previous year	Source		
			1	2	Form	Line	Column
Reference period (No. of financial years) Insert "0" if there is no reference period otherwise insert "3" or "7"	0	11			See instruction 1		
Claims paid in reference period		21					
Claims outstanding carried forward at the end of the reference period	For business accounted for on an underwriting year basis	22					
	For business accounted for on an accident year basis	23					
Claims outstanding brought forward at the beginning of the reference period	For business accounted for on an underwriting year basis	24					
	For business accounted for on an accident year basis	25					
Sub-total E (21+22+23-(24+25))		29					
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31					
Division of Sub-total F	Other than health insurance	Up to and including sterling equivalent of 7M ECU x 26/100	32				
		Excess (if any) over 7M ECU x 23/100	33				
	Health insurance	Up to and including sterling equivalent of 7M ECU x 26/300	34				
		Excess (if any) over 7M ECU x 23/300	35				
Sub-total G (32 to 35)		39					
Second result Sub-total G x Sub-total D (or, if ½ is a greater fraction, x ½) Sub-total C		41					

First result	42	542	382	11	41
Required margin of solvency (the higher of lines 41 and 42)	43	542	382		
Minimum guarantee fund	44	174	192		
Required minimum margin (the higher of lines 43 and 44)	49	542	382		

Analysis of admissible assets

Name of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 1999**Category of assets **TOTAL OTHER THAN LONG TERM BUSINESS ASSETS**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
				day	month	year		
R13		3249879	GL	31	12	99	£000	1

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 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 company has a participating interest	30		
Total sheet 1 (11 to 30)				39	

Analysis of admissible assets

Name of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**Category of assets **TOTAL OTHER THAN LONG TERM BUSINESS ASSETS**

Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		day	month	year			
R13	3249879	GL	31	12	2000	£000	1

Investments (continued)

Deposits with ceding undertakings

Assets held to cover linked liabilities

As at the end of
this financial
year
1As at the end of
the previous
year
2

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		
			Other	46		
		Variable interest	Approved securities	47	1,019	
			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	387	2184
		Withdrawal subject to a time restriction of more than one month		55		19,992
	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	181	139	
	Claims outstanding		61	75	63	
	Provision for unexpired risks		62			
	Other		63			
Total sheet 2 (41 to 63)			69	1,662	22,378	

Analysis of admissible assets

Name of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**

Category of assets	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
TOTAL OTHER THAN LONG TERM TERM BUSINESS ASSETS	R13	3249879	GL	31	12	2000	£000	1

Debtors			As at the end of this financial year 1	As at the end of the previous year 2	
Other assets					
Debtors arising out of direct insurance operations	Policyholders		71	1,655	1,590
	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	218	86
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	10	70
		Due more than 12 months after the end of the financial year	79		
Tangible assets			80	6	3
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	147	150
	Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)			83		
Prepayments and accrued income	Accrued interest and rent		84	55	169
	Deferred acquisition costs		85		323
	Other prepayments and accrued income		86	82	76
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets			87		
Total sheet 3 (71 to 86 less 87)			88	2,173	2,467
Grand total of admissible assets (39+69+88)			89	3,835	24,845

Reconciliation to asset values determined in accordance with the shareholder accounts rules

Total admissible assets (as per line 89 above)	91	3,835	24,845
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)	92	7,796	143
Solvency margin deduction for insurance dependants	93		
Other differences in the valuation of assets (other than for assets not valued above)	94	5	13
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)	95		
Total assets determined in accordance with the shareholder accounts rules (91 to 95)	99	11,636	25,001
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance	100	64	127

Liabilities (other than long term business)

Name of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
		R15	3249879	GL	31	12	2000
					£000		
				As at the end of this financial year 1		As at the end of the previous year 2	
Technical provisions (gross amount)	Provision for unearned premiums		11	1,772		1,270	
	Claims outstanding		12	320		265	
	Provision for unexpired risks		13				
	Equalisation provisions	Credit business	14				
		Other than credit business	15				
	Other		16			426	
	Total (11 to 16)		19	2,092		1,961	
Provisions for other risks and charges	Taxation		21				
	Other		22	13		16	
Deposits received from reinsurers			31				
Creditors	Arising out of insurance operations	Direct business	41				
		Reinsurance accepted	42				
		Reinsurance ceded	43	503		349	
	Debenture loans	Secured	44				
		Unsecured	45				
	Amounts owed to credit institutions		46				
	Other creditors	Taxation	47	166		152	
		Recommended dividend	48				
		Other	49	379		31	
Accruals and deferred income			51	443		1,165	
Total (19 to 51)			59	3,596		3,674	
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			61				
Cumulative preference share capital			62				
Subordinated loan capital			63				
Total (59 to 63)			69	3,596		3,674	
Amounts included in line 69 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			71	347			

Profit and loss account (non-technical account)

Name of company

ABBEY NATIONAL HEALTHCARE LIMITED

Global business/UK branch business/EEA branch business

GLOBAL BUSINESS

Financial year ended

31 DECEMBER 2000Company
registration
number

GL/UK/CM

Period ended

day

month

year

Units

R16

3249879

GL

31

12

2000

£000

			This financial year	Previous year	Source		
			1	2	Form	Line	Column
Transfer (to)/from the general business technical account	From Form 20	11	122	(783)	20	59	
	Equalisation provisions	12					
Transfer from the long term business revenue account		13			40	26	
Investment income	Income	14	1,204	1,222			
	Value re-adjustments on investments	15	12	27			
	Gains on the realisation of investments	16	38				
Investment charges	Investment management charges, including interest	17	22	25			
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general business technical account		20			20	51	
Other income and charges (particulars to be specified by way of supplementary note)		21	1,032				
Profit or loss on ordinary activities before tax (1+12+13+14+15+16-17-18-19-20+21)		29	322	441			
Tax on profit or loss on ordinary activities		31	109	148			
Profit or loss on ordinary activities after tax (29-31)		39	213	293			
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41					
Tax on extraordinary profit or loss		42					
Other taxes not shown under the preceding items		43					
Profit or loss for the financial year (39+41-(42+43))		49	213	293			
Dividends (paid and proposed)		51					
Profit or loss retained for the financial year (49-51)		59	213	293			

Analysis of derivative contractsName of company **ABBEEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**

Business : Long term/Other than long term

OTHER THAN LONG TERMFinancial year ended **31 DECEMBER 2000**

Category of assets

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets
				day	month	year		
		R17	3249879	GL	31	12	2000	£000
Derivative contracts		As at the end of this financial year		As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Futures contracts	Fixed-interest securities	11						
	Equity shares	12						
	Land	13						
	Currencies	14						
	Other	15						
Options	Fixed-interest securities	21						
	Equity shares	22						
	Land	23						
	Currencies	24						
	Other	25						
Contracts for differences	Fixed-interest securities	31						
	Equity shares	32						
	Land	33						
	Currencies	34						
	Other	35						
Adjustments for variation margin		41						
Total (11 to 41)		49						

General business : Technical account (excluding equalisation provisions)

Name of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**

Company registration number	GL/UK/CM	Period ended			Units	Accounting class/ summary	
		day	month	year			
R20	3249879	GL	31	12	2000	£000	1

Items to be shown net of reinsurance			This financial year	Previous year	Source		
			1	2	Form	Line	Column
This year's underwriting accident year accounting)	Earned premium	11	3,182	2,227	21	19	5
	Claims incurred	12	1,185	611	22	17	4
	Claims management costs	13	224	93	22	18	4
	Adjustment for discounting	14			22	52	4
	Increase in provision for unexpired risks	15			22	19	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	16					
	Net operating expenses	17	1,572	2,283	22	42	4
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	201	(760)			
Adjustment for prior years' underwriting accident year accounting)	Earned premium	21	(109)	(35)	21	11	5
	Claims incurred	22	(30)	(12)	22	13	4
	Claims management costs	23			22	14	4
	Adjustment for discounting	24			22	51	4
	Other technical income or charges (particulars to be specified by way of supplementary note)	25					
	Net operating expenses	26			22	41	4
	Balance (21-22-23+24+25-26)	29	(79)	(23)			
Balance from underwriting year accounting	Per Form 24	31			24	69	99-99
	Other technical income and charges (particulars to be specified by way of supplementary note)	32					
	Total	39					
Balance of all years' underwriting (19+29+39)		49	122	(783)			
Allocated investment return		51					
Transfer to non-technical account (49+51)		59	122	(783)			

General business (accident year accounting) : Analysis of premiums

Name of company

ABBEY NATIONAL HEALTHCARE LIMITED

Global business/UK branch business/EEA branch business

GLOBAL BUSINESS

Financial year ended

31 DECEMBER 2000

Accounting class

1

R21	Company registration number 3249879	GL/UK/CM GL	Period ended		Units £000	Accounting class 1
			day 31	month 12		

Premiums receivable during the financial year		Gross premiums written		Reinsurers' share		Net of reinsurance	
		Earned in previous financial years 1		Earned in previous financial years 3		Earned in previous financial years 5	
In respect of risks incepted in previous financial years		11	(121)	(12)		(109)	
In respect of risks incepted in previous financial years		12	(176)	(23)		(153)	
In respect of risks incepted in this financial year	For periods of less than 12 months	13					
	For periods of 12 months	14	2,546	342	181	2,204	1,591
	For periods of more than 12 months	15					
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16	1,270	139		1,131	
Total (12 to 16)		19	3,640	458	181	3,182	1,591

General business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **ABBEY NATIONAL HEALTHCARE LIMITED**Global business/UK branch business/EEA branch business **GLOBAL BUSINESS**Financial year ended **31 DECEMBER 2000**Accounting class **1**

		Company registration number	GL/UK/CM	Period ended			Units	Accounting class	
				day	month	year			
		R22	3249879	GL	31	12	2000	£000	1
			Amount brought forward from previous financial year	Amount payable/receivable in this financial year	Amount carried forward to next financial year	Amount attributable to this financial year			
			1	2	3	4			
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	250	209		(41)			
	Reinsurers' share	12	63	52		(11)			
	Net (11-12)	13	187	157		(30)			
	Claims management costs	14	15	15					
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		1,282	300	1582			
	Reinsurers' share	16		322	75	397			
	Net (15-16)	17		960	225	1,185			
	Claims management costs	18		204	20	224			
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	122	233		355			
	Other acquisition expenses	22	201	(32)		169			
	Administrative expenses	23		2,080		2,080			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	323	2,281		2,604			
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42	323	2,281		2,604			
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General business (accident year accounting) : Analysis of net claims and premiums

Name of company

ABBEY NATIONAL HEALTHCARE LIMITED

Global business/UK branch business/EEA branch business

GLOBAL BUSINESS

Financial year ended

31 DECEMBER 2000

Accounting class

1

Company
registration
number

R23

GLUK/CM

GL

Period ended
day month year

31 12 2000

Units

£000

Accounting
class

1

Accident year ended		Claims outstanding brought forward		Claims outstanding carried forward		Claims paid (net) during this financial year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims outstanding (net) as at end of the accident year	Claims paid (net) during the accident year	Claims outstanding (net)		Balance on each accident year (4+5+6+7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original reserve %	Claims ratio %
Month	Year	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					Reported (net)	Incurred but not reported (net)					
12	2000	11				960				7	8	9	10	11	12	13
12	1999	12		187		157			424		187	1,185		2,118	(16.0%)	27.4%
12	1998	13		53	41				58					591	(22.6%)	16.8%
		14														
		15														
		16														
		17														
		18														
		19														
		20														
Prior accident years		21														
Reconciliation		22														
Total (11 to 22)		29				1,117					187	1,155				

ABBAY NATIONAL HEALTHCARE LIMITED

NOTES TO THE RETURN

FINANCIAL YEAR ENDED 31 DECEMBER 2000

0901 Financial Year Ended 31 December 2000

The Treasury on the application of the Company, issued to the Company in February 1998 an order under section 68 of the Insurance Companies Act 1982 directing that the Company for the purposes of section 17 of the Act and the provisions of the 1994 Regulations and the 1996 Regulations shall regard its first financial year as ending on 31 December 2000.

Value of Investments

The order under Section 68 of the Insurance Companies Act 1982, directing that the Company for the purposes of section 17 of the Act and the provisions of the 1994 regulations allowing the company to exceed the normal limits for debts with the approved credit institutions specified in schedule 12 to the Insurance Companies Regulations 1994, expired on 30 December 2000. An extension was not applied for.

0904 Event Occurring After the Year End

In September 2000 it was decided that Abbey National plc would withdraw from the private medical insurance (PMI) sector. As a result Abbey National Healthcare Limited served notice to disengage from the joint venture with Norwich Union Healthcare and look to wind up the company.

Therefore, on 30 April 2001 the transfer of the portfolio commences, to be followed by the voluntary winding up of the company. Due to the application to the Financial Services Authority for permission to perform such a transaction no new business has been underwritten since 30 November 2000.

At present no estimate can be made of the costs to the company of the decision to withdraw from the PMI sector and to close the company due to the timescales involved in the transfer of the portfolio and the related uncertainty of when final costs will crystallise. However, the directors believe that the costs associated with the closure of the business are unlikely to be material.

0905 Event Occurring After the Year End

Since the year end the Company has received a further section 68 order from the Financial Services Authority modifying paragraphs 8 and 9 of part 2 of schedule 12 to the Insurance Companies Regulations 1994, so that in respect of assets consisting of deposits with approved credit institutions for the permitted asset exposure limits of 10% and 20% there shall be substituted a permitted exposure limit of £2,000,000 less any debt due to the Company from the approved credit institution and the amount of debts due to the Company from connected companies of the approved credit institutions.

In addition the requirements of paragraph 4(c) of part 1 of schedule 12 to the Insurance Companies regulations 1994 were modified to give a permitted counter-party exposure limit of the greater of £2,000,000 in the counter-party exposure limit set out in paragraph 4(c).

1001 Reconciliation of Net Assets to Shareholder Accounts

	2000
Net assets in the return:	£000
Form 13, line 99	11,636
Form 15, line 59	<u>3,596</u>
	<u>8,040</u>
Capital reserves in shareholders accounts	<u>8,040</u>

On 10 October 2000 13,500,000 of £1 ordinary shares were redeemed at par. This transaction was taken in order to reduce the excess of capital held in the company.

- 1102** The difference of £20k for outstanding claims as per form 11 compared to form 20 onwards results from the inclusion of a provision for claims management costs. The figures included in form 11 are consistent with the financial statements.

1304 Statement of Amounts "Set Off"

Certain amounts included in Form 13 have been calculated by netting amounts due to any person against amounts which are due from that person.

1305 Maximum Counterparty Limits Permitted by the Company's Investment Guidelines and Details of any Breaches

Due to the expiration of the section 68 order, the maximum permitted exposure is equal to 10% of the General Business Amount (GBA).

1306 Amount and Nature of Large Counter Party Exposure at 31 December 2000.

Details of debt securities with approved financial institutions as at 31 December 2000.

Financial Institution	Purchase Date	Maturity Date	Type of Investment	Exposure £ '000
1. Bank of America	26/1/1998	3/4/2002	Variable Interest	1,497
2. HSBC	26/1/1998	31/5/2001	Variable Interest	1,514
3. Westpac Banking	11/2/1998	11/3/2002	Variable Interest	1,497
4. Bank of Nova Scotia	11/2/1998	4/2/2003	Variable Interest	1,992
5. National Westminster Bank	31/10/00	2/1/01	Fixed Interest	600
	31/10/00	31/1/01	Fixed Interest	600
	30/11/00	28/2/01	Fixed Interest	450
	18/12/00	28/2/01	Fixed Interest	650
6. National Westminster Bank		On Demand	Variable Interest - Business Reserve A/C	349
* 7. Abbey National Treasury Services	29/12/00	30/3/01	Fixed Interest	200
Total				<u>9,349</u>
Amounts due from AN plc				200

* Investment held with Abbey National Treasury Services are money market deposits of a temporary nature.

An amount of £7,797k is inadmissible, on the basis it exceeds the permitted counterparty exposure.

1314 Leased Assets

The company has no leased assets.

1501 Provisions for Adverse Charges

No provision is made for adverse charges, as defined in Regulation 61 of the Insurance Companies Regulation 1994, because the Company does not have any obligation under the types of contract referred to in the regulation.

1502 Charges and Contingent Liabilities

The company has no charges over any of its assets, potential capital gains tax liabilities, contingency liabilities, commitments (effected other than in the ordinary course of insurance business) in respect of related companies, or any other fundamental uncertainty.

1601 Foreign Currency Dealings

The company has no foreign currency dealings, therefore no basis of conversion is required.

1603 Other Income and Charges

The balance relates to the disengagement fee from a Third Party Administration Agreement as detailed in note 0904.

2002 Analysis of Gross Premium Written and Reinsurers' Share of Gross Premium Written

	£'000
(a) Gross Premium Written	4,021
(b) Reinsurers' Share of Gross Premium Written	488

All business was carried out in the United Kingdom

2102 Unearned Premium

The provision for unearned premium has been calculated on a daily basis to accurately reflect the earning of premium over time.

2202 Basis of Claims Management Expenses

The claims management costs are a proportion of the Claims Management Fees (CMF) payable to the Joint Venture Partners, Norwich Union. The proportion is determined by taking the average number of staff allocated to claims management against the total staff managing the operations for which the CMF is charged.

2204 Deferred Acquisition Cost Basis

No deferral has been made during the financial year ending 31 December 2000. This follows the decision to transfer the portfolio to a third party. The application to perform such a transaction has been submitted to the Financial Services Authority and resulted in new business ceasing to be written from 30 November 2000. Thus preventing the application of the matching principle.

2207 Provision for Unexpired Risks

No provision for unexpired risks is required.

ABBEY NATIONAL HEALTHCARE LIMITED

CERTIFICATE BY DIRECTORS

FINANCIAL YEAR ENDED 31 DECEMBER 2000

We certify that:

- a) in relation to the part of the return comprising Forms 9 to 13, 15 to 17, 20 to 23 and 31 (including the supplementary notes thereto) and the statements required by regulations 19 to 21, 23, 24 and 26 of the Insurance Companies (Accounts and Statements) Regulations 1996 that-
 - (i) the return has been prepared in accordance with the Regulations;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the company; and
 - (iii) an appropriate system of control has been established and maintained by the company over its transactions and records;
- b) reasonable enquiries have been made by the company for the purpose of determining whether any person and any body corporate are connected for the purposes of regulations, 19, 20 and 21 of the Insurance Companies Act 1996 (Accounts and Statements);
- c) in respect of the company's business which is not excluded by regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year in question enabled the company to comply with regulations 27 to 31 (matching and localisation) of those Regulations;
- d) the systems of control established and maintained by the company in respect of its business complied at the end of the financial year with the following published guidance:

Prudential Guidance Note 1994/6 - "Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives";

Prudential Guidance Note 1996/1 - "Controls over general business claims provisions";

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

- e) the return has been prepared in accordance with the following published guidance:

Prudential Guidance Note 1995/1 - "Guidance for insurance companies and auditors on the Valuation of Assets Regulations (Part VIII of the Insurance Companies Regulations 1994);

Prudential Guidance Note 1995/3 - "The use of derivatives in insurance funds";
and

Prudential Guidance Note 1998/1 - "The preparation of annual returns to the Insurance Directorate of HM Treasury".

DIRECTOR

DIRECTOR

**REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO REGULATION 29
OF THE INSURANCE COMPANIES (ACCOUNTS & STATEMENTS) REGULATIONS 1996**

ABBEY NATIONAL HEALTHCARE LIMITED

Global business

Financial year ended 31 December 2000

We have examined the following documents prepared by the company pursuant to section 17 of the Insurance Companies Act 1982 ("the Act") and the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations"):

- Forms 9 to 13, 15 to 17, 20 to 23, and 31 (including the supplementary notes thereto) ("the Forms");
- the statements required by regulations 19, 20, 21 and 23 on pages 1 to 8 ("the statements"); and
- the certificate signed in accordance with regulation 28(a) on pages 9 and 10 ("the certificate").

In the case of the certificate, our examination did not extend to references in paragraph (a) in relation to the statements required by regulations 24 and 26, concerning shareholder controllers and general business ceded.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statements and certificate) under the provisions of the Act and Regulations. Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

It is our responsibility to form an independent opinion as to whether the Forms and statements 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 statements therein, and to report our opinions to you.

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 statements. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on May 1999. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

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 statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

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.

Opinions

In our opinion:

- (a) the Forms and statements fairly state the information provided on the basis required by the Regulations as modified and have been properly prepared in accordance with the provisions of those Regulations; 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 Regulations; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

Deloitte & Touche
Chartered Accountants & Registered Auditors
10-12 East Parade
Leeds
LS1 2AJ

NOTES

The example reports set out in the Appendix will need to be adapted to meet the circumstances of each individual company. The following points are relevant to the drafting of specific auditors' reports.

- (a) The Forms that are cited should be those that are relevant to each individual company. For example, the report for a general company that does not discount its outstanding claims provisions should not refer to Form 30.
- (b) The exclusions relating to the directors' certificate referred to at the end of the scope paragraph should omit reference to any of these items that do not appear in the directors' certificate.
- (c) Section 68 Orders modifying the form or rules governing the preparation of the regulatory return prepared by the company will be referred to in the respective responsibilities paragraph (words in square brackets) with the words 'as modified' (also indicated by the use of square brackets) being inserted in the basis of opinions and opinions sections.
- (d) Where a company writing long term business has a section 68 Order allowing it to recognise an implicit item in the return, this is dealt with by the reference in the basis of opinions section and does not require the insertions referred to in (c). If a company writing long term business does not have such an Order, the relevant part of the basis of opinions paragraph should be omitted.
- (e) The sentence in the basis of opinions paragraph referring to the audit of the financial statements is normally appropriate. If, however, financial statements have not been prepared and audited, it should be omitted. Auditors may add further details of the work undertaken.
- (f) If part or all the return has to be resubmitted, consider the firm's guidance on resubmission available in the UK Insurance Knowledge Database.