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ABBEY NATIONAL HEALTHCARE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

AC 1779

For the year ended 31 December 1998

Registered Number : 3249879

## ABBEY NATIONAL HEALTHCARE LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1998.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is to write private medical insurance ("PMI").

### RESULTS AND DIVIDENDS

The Company made a loss after tax for the year of £971,953 (1997 - £1,994,714) which has been transferred from reserves. The directors consider the results to be satisfactory. Business volumes are expected to increase significantly in 1999. The directors do not recommend payment of a dividend.

## ABBEY NATIONAL HEALTHCARE LIMITED

### DIRECTORS' REPORT (continued)

#### DIRECTORS

The directors who served in office during the year were as follows:

A McGinn	
M Bevan	
A Pople	
H R Soni	Appointed on 23 September 1998
S Evans	Appointed on 26 January 1998
J Connor (Managing Director)	Appointed on 1 June 1998
N Bosanquet (External Non-Executive Director)	Appointed on 26 January 1998

D Ramsay resigned as a Director on 9 February 1998. P T Dix resigned as Managing Director on 17 April 1998 and J Connor was appointed as Managing Director on 1 June 1998. B A Brown resigned as a director on 23 September 1998. A McGinn resigned as Chairman, and M J Pendle was appointed as Chairman on 11 February 1999. H R Soni resigned and G Thomas was appointed as Director on 31 March 1999.

#### DIRECTORS' INTERESTS

None of the directors had a beneficial interest in the shares of the Company at the year end. The directors' interests in the shares of the parent company, Abbey National plc, (other than those disclosed in that company's report and accounts) were as follows:-

	As at 1 January 1998 (or at the appointment, if later)	Options granted during the year (or since appointment if later)	Options exercised during the year (or since appointment if later)	As at 31 December 1998		
	10p Ord <u>Shares</u>	<u>Options</u>		10p Ord <u>Shares</u>	<u>Options</u>	
M Bevan	139	2,416	499	-	139	2,915
A S McGinn	250	63,358	10,085	-	250	73,443
J Connor	2,304	4,114	-	1,071	3,105	3,043
N Bosanquet	220	-	-	-	220	-
S Evans	-	-	150	-	-	150

Options granted to directors under the parent company's Sharesave Scheme are exercisable at prices between 232p and 1087p per share within six months of the third, fifth or seventh anniversary of contract start date. Options granted under the Executive Share Option scheme and Employee Share Option Schemes are exercisable at prices between 254p and 1195p per share after three years or five years and before ten years from the date of grant.

Shares awarded under the Abbey National Long Term Incentive Plan ("the Plan") are held by the Abbey National Employee Trust ("the Trust"). Whilst the Plan is currently restricted to members of the Abbey National plc Executive Committee, each of the directors of the Company is a potential beneficiary of the Trust and is therefore deemed to have an interest in the shares held by the Trust. At 31 December 1998, the Trust held 268,936 ordinary shares (1997 - 129,780 ordinary shares).

#### YEAR 2000 AND EUROPEAN AND MONETARY UNION

The Company is aware of the significant compliance and operational risks faced in connection with Year 2000 and the strategic and operational risks posed by Economic

## ABBEY NATIONAL HEALTHCARE LIMITED

### DIRECTORS' REPORT (continued)

and Monetary Union (EMU). These issues are being addressed by the ultimate parent undertaking Abbey National plc, through the provision of management, technology and systems support and through a Group-wide steering committee.

Further disclosures in respect of both Year 2000 and EMU, including details of the impact on business, risks and uncertainties, general plans to address these issues and estimated costs of these plans are detailed in the consolidated accounts of the ultimate parent undertaking.

### DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACCOUNTS

The directors of the Company are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

The directors confirm that suitable accounting policies have been applied consistently and reasonable and prudent judgements have been made in the preparation of the financial statements for the year ended 31 December 1998. The directors also confirm that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### AUDITORS

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually.

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers, as auditors.

The Board of the parent company, Abbey National plc, announced on 10 November 1998 its intention to nominate Deloitte & Touche for appointment as Auditors of the Company and its subsidiaries. Deloitte & Touche have expressed their willingness to accept this appointment. Accordingly, PricewaterhouseCoopers will retire following approval of the 1998 accounts, and Deloitte & Touche will be appointed.

By Order of The Board



For and on behalf of Abbey National Secretariat Services Limited.

18 May 1999

Registered Office:

Abbey House  
Baker Street  
London, NW1 6XL

ABBEY NATIONAL HEALTHCARE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF  
ABBEY NATIONAL HEALTHCARE LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared in accordance with the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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.

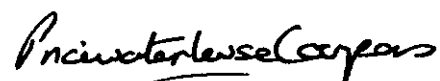
BASIS OF AUDIT OPINION

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 at 31 December 1998 and of its or loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
London

20 May 1999

**ABBEY NATIONAL HEALTHCARE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 1998**

**Technical account - General Business**

	Notes	1998 £	For the Period 16 September 1996 to 31 December 1997 £
<b>EARNED PREMIUMS, NET OF REINSURANCE</b>			
Gross premium written	1	1,638,299	31,929
Less outward reinsurance		(194,756)	(3,370)
<b>NET PREMIUMS WRITTEN</b>		<u>1,443,543</u>	<u>28,559</u>
Change in provision for unearned premiums			
- gross amount		(930,021)	(29,376)
- reinsurance share		109,767	3,080
<b>CHANGE IN NET PROVISION FOR UNEARNED PREMIUMS</b>		<u>(820,254)</u>	<u>(26,296)</u>
<b>EARNED PREMIUMS NET OF REINSURANCE</b>		623,289	2,263
<b>CLAIMS INCURRED NET OF REINSURANCE</b>	1		
Claims paid			
- gross amount		(77,155)	(600)
- reinsurance share		19,289	150
<b>NET CLAIMS PAID</b>		<u>(57,866)</u>	<u>(450)</u>
<b>CHANGE IN GROSS PROVISION FOR CLAIMS</b>	1		
- gross amount		(74,000)	(1,000)
- reinsurance share		17,250	250
		<u>(56,750)</u>	<u>(750)</u>
<b>CLAIMS INCURRED NET OF REINSURANCE</b>		<u>(114,616)</u>	<u>(1,200)</u>
		508,673	1,063
<b>NET OPERATING EXPENSES</b>	3	<u>(3,499,633)</u>	<u>(3,187,993)</u>
<b>BALANCE ON GENERAL BUSINESS TECHNICAL ACCOUNT</b>		<u>(2,990,960)</u>	<u>(3,186,930)</u>

ABBEY NATIONAL HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1998

**Non-Technical account - General Business**

	Notes	1998 £	For the Period 16 September 1996 to 31 December 1997 £
<b>BALANCE ON GENERAL BUSINESS TECHNICAL ACCOUNT</b>		<b>(2,990,960)</b>	<b>(3,186,930)</b>
Investment income	4	1,619,540	279,263
Unrealised loss on investments	4	(11,250)	-
Other charges	4	(25,772)	(4,167)
<b>LOSS ON ORDINARY ACTIVITY BEFORE TAX</b>	<b>5</b>	<b>(1,408,442)</b>	<b>(2,911,834)</b>
Tax receivable on loss on ordinary activities	9	436,489	917,120
<b>RETAINED LOSS FOR THE YEAR</b>	<b>15</b>	<b>(971,953)</b>	<b>(1,994,714)</b>

All items dealt with in arriving at the loss on ordinary activities before taxation for 1998 and 1997 relate to continuing operations.

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

Notes of Historical Cost Profits and Losses	Notes	1998 £	For the Period 16 September 1996 to 31 December 1997 £
Reported loss on ordinary activities before tax		(1,408,442)	(2,911,834)
Unrealised loss recognised in the year	4	11,250	-
Historical cost loss on ordinary activities before tax		(1,397,192)	(2,911,834)
Tax receivable on loss on ordinary activities		436,489	917,120
Historical cost loss for year after tax		(960,703)	(1,994,714)

**ABBEY NATIONAL HEALTHCARE LIMITED**

**BALANCE SHEET AT 31 DECEMBER 1998**

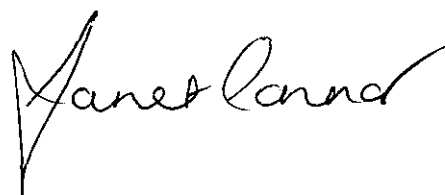
	Notes	1998 £	For the Period 16 September 1996 to 31 December 1997 £
<b>ASSETS</b>			
<b>INVESTMENTS</b>	10	22,049,583	21,543,187
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>	11	130,347	3,330
<b>DEBTORS</b>			
Debtors arising out of direct insurance operations - policy holders		921,694	28,856
Other debtors	12	<u>448,655</u> 1,370,349	<u>953,828</u> 982,684
<b>OTHER ASSETS</b>			
Tangible assets	13	16,443	-
Cash at bank and in hand		<u>69,955</u> 86,398	<u>20,224</u> 20,224
<b>PREPAYMENTS AND ACCRUED INCOME</b>	14	382,043	118,983
<b>TOTAL ASSETS</b>		<b><u>24,018,720</u></b>	<b><u>22,668,408</u></b>
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	24,000,000	24,000,000
Profit and Loss account	16	(2,966,667)	(1,994,714)
<b>SHAREHOLDERS FUNDS</b>	17	<u>21,033,333</u>	<u>22,005,286</u>
<b>TECHNICAL PROVISIONS</b>			
Provision for unearned premiums		959,398	29,376
Claims outstanding	18	<u>75,000</u> 1,034,398	<u>1,000</u> 30,376
<b>CREDITORS</b>			
Creditors arising out of reinsurance operations		155,067	3,370
Other Creditors	19	<u>1,795,171</u> 1,950,238	<u>629,376</u> 632,746
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	20	751	-
<b>TOTAL LIABILITIES</b>		<b><u>24,018,720</u></b>	<b><u>22,668,408</u></b>

The financial statements on pages 6 to 15 were approved by the board of directors on 17 May 1999 and signed on its behalf by:

G. Thomas  
Director



J. Connor  
Director





ABBEY NATIONAL HEALTHCARE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Presentation

The Group financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985, and with the Statement Of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 1998. The balance sheet of the holding company has been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable accounting standards.

Cashflow Statements

The Company is a wholly owned subsidiary of Abbey National plc and the cash flows of the Company are included in the consolidated group of Abbey National plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement

Basis of Accountancy

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

All gross premiums written are in respect of private medical insurance and are written in the United Kingdom.

(b) Technical Account

The technical result is determined on an annual basis as follows:-

Premiums written relate to business incepted during the year. Unearned premiums represent the proportion of premiums accounted for in periods up to the accounting date which is attributable to subsequent periods calculated on a time apportionment basis.

Costs associated with acquiring new business are deferred on the same basis as unearned premiums.

Commissions are recognised on inception of business and are deferred on the same basis as unearned premiums.

No unexpired risk provision was considered necessary in the year up to the balance sheet date.

Claims incurred comprise claims and related expenses paid in the year. Outstanding claims represent claims and related expenses arising from incidents prior to the balance sheet date, but not settled at that date and include provision for claims incurred, but not reported by that date.

**ABBEY NATIONAL HEALTHCARE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 1998**

- (c) Investment Income and Investments  
Investments are stated at market value. Investment income consists of interest on deposits (and fixed interest securities) and is accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost. Both realised and unrealised gains and losses are taken to the non-technical account. Listed investments are included in the balance sheet at mid-market value.
- (d) Deferred Tax  
Deferred taxation is provided, using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.
- (e) Depreciation  
Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives. The annual rates used are:

Computer Equipment	25%
Fixtures and Fittings	12.5%

**2. SEGMENTAL ANALYSIS**

The Company has only one business segment, that of accident and health general insurance. The business and net assets of the Company are located in the United Kingdom.

**3. NET OPERATING EXPENSES**

	1998	For the period 16 September 1996 to 31 December 1997
	£	£
Acquisition Costs	245,859	4,789
Change in deferred acquisition costs	(139,503)	(4,406)
Depreciation	2,144	-
Administration Expenses	3,396,133	3,187,610
	<u>3,504,633</u>	<u>3,187,993</u>

**4. INVESTMENT RETURN**

	1998	For the period 16 September 1996 to 31 December 1997
	£	£
<b>Investment Income:</b>		
Income from short term deposits	245,162	279,263
Income from listed investments	1,374,378	-
	1,619,540	279,263
Unrealised loss on investment	(11,250)	-
	<u>1,608,290</u>	<u>279,263</u>
Investment Management Charges	(25,772)	(4,167)
<b>Total Investment Return</b>	<u>1,582,518</u>	<u>275,096</u>

ABBEY NATIONAL HEALTHCARE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	1998	For the period 16 September 1996 to 31 December 1997
	£	£
The Loss on ordinary activities before tax is stated after:		
Auditors Remuneration:		
Audit	29,698	18,000
Other Services	-	<u>16,000</u>
	<u>29,698</u>	<u>34,000</u>

6. COMMISSIONS

Total commissions accounted for by the Company during the period amounted to £245,859 (1997 - £4,789).

7. EMPLOYEE INFORMATION

The Company has no employees. The Company's business is managed and administered under service contracts between the Company and Abbey National plc, Abbey National Finance and Investment Services plc and Norwich Union Healthcare Limited.

8. DIRECTORS' EMOLUMENTS

	1998	For the period 16 September 1996 to 31 December 1997
	£	£
Emoluments	<u>229,939</u>	<u>145,784</u>
Fees	<u>9,356</u>	<u>-</u>

Directors' emoluments are borne by the parent company, Abbey National plc and other group undertakings and are recharged to the Company. No apportionment was made for the emoluments of the non-executive directors paid by the parent company.

Highest paid director

	1998	For the period 16 September 1996 to 31 December 1997
Aggregate emoluments	63,013	-
Defined benefit pension scheme:		
Accrued pension at the end of year (per annum)	1,083	-

**ABBEY NATIONAL HEALTHCARE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 1998**

**9. TAXATION**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Group Relief receivable at 31% (1997 - 31.5%)	437,240	917,120
Deferred Tax	<u>(751)</u>	<u>-</u>
	<u>436,489</u>	<u>917,120</u>

**10. INVESTMENTS**

	<b>Carrying Value</b>		<b>Purchase Price</b>	
	<b>1998</b>	<b>1997</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Variable yield securities	19,908,300	-	19,919,550	-
Deposits with credit institutions	<u>2,141,283</u>	<u>21,543,187</u>	<u>2,141,283</u>	<u>21,543,187</u>
	<u>22,049,583</u>	<u>21,543,187</u>	<u>22,060,833</u>	<u>21,543,187</u>

Included in the carrying values above are amounts in respect of listed investments as follow:

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Variable yield securities	19,908,300	-

The investments comprise of deposits with, and securities of, financial institutions and are shown at market value.

**11. REINSURERS' SHARE OF TECHNICAL PROVISIONS**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Reinsurers' share of unearned premiums	112,847	3,080
Reinsurers' share of outstanding claims reserve	<u>17,500</u>	<u>250</u>
	<u>130,347</u>	<u>3,330</u>

**12 OTHER DEBTORS**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Group relief receivable	437,240	917,120
Sundry debtors	348	36,558
Debtors arising from reinsurance	<u>11,067</u>	<u>150</u>
	<u>448,655</u>	<u>953,828</u>

**ABBEY NATIONAL HEALTHCARE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 1998**

**13 TANGIBLE ASSETS**

	<b>Computer Equipment</b>	<b>Fixtures and Fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 1998	-	-	-
Additions	<u>16,561</u>	<u>2,026</u>	<u>18,587</u>
At 31 December 1998	<u>16,561</u>	<u>2,026</u>	<u>18,587</u>
<b>Depreciation</b>			
At 1 January 1998	-	-	-
Charge for the Year	<u>1,954</u>	<u>190</u>	<u>2,144</u>
At 31 December 1998	<u>1,954</u>	<u>190</u>	<u>2,144</u>
<b>Net Book Value</b>			
At 31 December 1998	<u>14,607</u>	<u>1,836</u>	<u>16,443</u>

**14 PREPAYMENT AND ACCRUED INCOME**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Accrued income on investments	199,519	114,577
Deferred commissions	143,909	4,406
Other	<u>38,615</u>	<u>-</u>
	<u>382,043</u>	<u>118,983</u>

**15 CALLED UP SHARE CAPITAL**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
24,000,000 ordinary shares of £1 each	<u>24,000,000</u>	<u>24,000,000</u>
<b>Allotted, called up and fully paid:</b>		
24,000,000 ordinary shares of £1 each	<u>24,000,000</u>	<u>24,000,000</u>

During the period to 31 December 1997, the Company issued 24,000,000 ordinary shares of £1 each to Abbey National plc at par value for a cash consideration.

**16 PROFIT AND LOSS ACCOUNT**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
As at the start of the year (period)	(1,994,714)	-
Loss for the year (period)	<u>(971,953)</u>	<u>(1,994,714)</u>
<b>As at 31 December</b>	<b><u>2,966,667</u></b>	<b><u>(1,994,714)</u></b>

The whole of shareholders' funds is attributable to equity interests.

**ABBEY NATIONAL HEALTHCARE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 1998**

**17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
At the start of the year (period)	22,005,286	-
Loss for the year (period)	(971,953)	(1,994,714)
Increases in share capital	<u>-</u>	<u>24,000,000</u>
<b>Share holders' funds as at 31 December</b>	<b><u>21,033,333</u></b>	<b><u>22,005,286</u></b>

**18 CLAIMS OUTSTANDING**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Claims outstanding - gross amount	<u>75,000</u>	<u>1,000</u>

**19 CREDITORS**

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	591,118	515,623
Trade Creditors and Insurance Premium Tax	10,895	1,746
Accruals	1,180,397	112,007
Other	<u>12,761</u>	<u>-</u>
<b>As at 31 December</b>	<b><u>1,795,171</u></b>	<b><u>629,376</u></b>

All creditors are payable within a period of five years.

**20 PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred tax provision

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
At 1 January 1998	-	-
Charged to the profit and loss account	<u>751</u>	<u>-</u>
At 31 December 1998	<b><u>751</u></b>	<b><u>-</u></b>

The amount of deferred tax liability in the accounts comprises

	<b>1998</b>	<b>For the period 16 September 1996 to 31 December 1997</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>751</u>	<u>-</u>

ABBEY NATIONAL HEALTHCARE LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1998

21 CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

There are no outstanding capital commitments or contingent liabilities at 31 December 1998 (1997 - £nil).

22 ULTIMATE PARENT COMPANY

The company is wholly owned and controlled by Abbey National plc which is registered in England. Copies of the consolidated financial statements of Abbey National plc can be obtained at Abbey House, Baker Street, London NW1 6XL.

23 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions given in Financial Reporting Standard No 8 not to disclose details of transactions with companies within the Group that have been eliminated on consolidation. There were no other related party transactions.