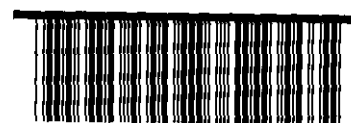


ABBAY NATIONAL INDEPENDENT INVESTMENTS

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2002

Registered in England and Wales No. 2468305



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COMPANIES HOUSE 13/12/02

ABBEY NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT

The Directors submit their report together with the accounts for the year ended 31 March 2002.

BUSINESS REVIEW

Since incorporation the company has acted as an investment company. Following the disposal of the investment portfolio (WHEN) the company has not traded during the year. The directors do not intend the company to trade in the future.

RESULTS AND DIVIDEND

Result for the year on ordinary activities after taxation amounted to £nil (2001: £NIL). The directors do not recommend the payment of a dividend (2001: £NIL).

DIRECTORS AND THEIR INTERESTS

The Directors who served throughout the year, except as noted below, were:

M A Pain (Resigned 31 October 2001)
I K Treacy (Resigned 28 February 2002)
N Wilkes
J R Smart (Appointed 28 February 2002)
A Newell (Appointed 31 October 2001)

In accordance with the Articles of Association of the Company, the Directors are not required to apply for re-election.

None of the Directors had any interest in the shares of the Company or any subsidiaries of Abbey National plc, the ultimate parent undertaking, at the year end.

The Directors' interests in the shares of the ultimate holding company, Abbey National plc, were as follows:

	Shares at 1 April 2001	At 31 March 2002	Options at 1 April 2001	Granted	Exercised	At 31 March 2002
A Newell	*189	1,433	*58,785	29,783	-	88,568
J R Smart	*11,077	11,077	*56,773	38,065	-	94,838
N Wilkes	11,632	10,686	44,705	19,663	-	64,368

* as at date of appointment

ABBEE NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Options granted to directors under the ultimate parent undertaking's Share save Schemes are exercisable at prices between 428p and 906p per share within six months of the third, fifth or seventh anniversary of the contract start date. Options granted under the Executive Share Option Scheme and the Employee Share Option Scheme are exercisable at prices between 590p and 1306p per share after three years or five years and before ten years from the date of the grant.

Shares in respect of Executive Share Options granted in 2001 are held by the Abbey National ESOP Trust (the "ESOP Trust"). Whilst the Directors' interests in the shares (if any) are included on page 1, each of the Directors of the Company is a potential beneficiary of the ESOP Trust and is therefore deemed to have an interest in the shares held by the ESOP Trust. At 31 March 2002, the ESOP Trust held 8,726,541 ordinary shares (2001: 6,004,958).

Abbey National also operates a Partnership Share Scheme under its Employee Share Option Scheme. This is available to all eligible employees, including the directors named above. Under this scheme, participants may make 12 monthly contributions up to a maximum of £1,500 per annum, to acquire shares in Abbey National. These shares may be purchased within 30 days from 31 May 2002 at their market value on 1 June 2001 or, if lower, their market value on or shortly after 31 May 2002. The number of shares which may be acquired under this scheme, calculated on the basis of the maximum contribution and the share price on 1 June 2001 (£12.35), is 121 shares. The share price at 31 May 2002 was £10.21, therefore, the maximum number of shares that could be acquired was 146 shares.

Shares awarded under the Abbey National Long Term Incentive Plan (the "Plan") are held by the Abbey National Employee Trust (the "Employee 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 Employee Trust and is therefore deemed to have an interest in the shares held by the Employee Trust. At 31 March 2002, the Employee Trust held 1,102,853 ordinary shares (2001: 604,362).

AUDITORS

In accordance with Section 386 of The Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually.

Deloitte & Touche, the Company's auditors, are therefore deemed to be re-appointed as the Company's auditors for each succeeding financial year, so long as such election remains in force.

ABBNEY NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2002. The Directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



For and on behalf of
Abbey National Secretariat Services Limited
Company Secretary

5th December 2002

Registered Office:

Abbey National House
2 Triton Square
Regent's Place
London
NW1 3AN

ABBEY NATIONAL INDEPENDENT INVESTMENTS

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ABBEY NATIONAL INDEPENDENT INVESTMENTS

We have audited the financial statements of Abbey National Independent Investments for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF OPINION

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
6th December 2002

ABBEY NATIONAL INDEPENDENT INVESTMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2002

	Notes	2002 £	2001 £
Investment income	3	-	-
Gain on sale of investments		-	-
Administrative expenses		-	-
		<hr/>	
Operating Profit on ordinary activities before taxation	4	-	-
Tax on profit on ordinary activities	5	-	-
		<hr/>	
Profit for the financial year	8	<hr/>	<hr/>

All activities of the company are discontinued. The company has no recognised gains and losses other than those included in the result above and therefore no separate statement of total recognised gains and losses has been presented.

ABBHEY NATIONAL INDEPENDENT INVESTMENTS

BALANCE SHEET as at 31 March 2002

	Notes	2002 £	2001 £
Current assets			
Amounts owed by group undertakings		382,366	382,366
Called up share capital not paid	7	2	2
Sundry debtors		45	45
Cash at bank and in hand		-	-
		<hr/>	<hr/>
		382,413	382,413
Creditors: amounts falling due within one year	6	(4,577)	(4,577)
		<hr/>	<hr/>
Net current assets		<u>377,836</u>	<u>377,836</u>
Capital and reserves			
Called up share capital	7	181,736	181,736
Profit and loss account	8	196,100	196,100
		<hr/>	<hr/>
Equity shareholders' funds	9	<u>377,836</u>	<u>377,836</u>

The accounts on pages 5 to 9 were approved by the Board of Directors on 5th December 2002 and were signed on its behalf by: *Norman Wilkes*


..... Director

ABBEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Investment income

Investment income is recognised on a receivable basis.

Fixed asset investments

Fixed asset investments are shown at cost less provision for any impairment in value.

Related party disclosures

The company has taken advantage of the exemption allowed by paragraph 3(c) of the Financial Reporting Standard 8, "Related Party Disclosures", not to disclose transactions with entities that are part of the Abbey National Group.

2. CASH FLOW STATEMENT

The company is a wholly owned subsidiary of Abbey National plc, a company registered in England and Wales. Accordingly, the company is not required to produce a cash flow statement as prescribed in Paragraph 5(a) of Financial Reporting Standard 1, Cash Flow Statements (Revised).

3. INVESTMENT INCOME

	2002 £	2001 £
Income from listed investments	-	-
Interest income from group undertakings	-	-
Other interest	-	-
	<u>-</u>	<u>-</u>

ABBNEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

4. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

No emoluments were paid to the directors by the company during the year and no apportionment of directors' remuneration has been made by the ultimate parent undertaking to the company (2001: nil). However, M A Pain and I K Treacy received emoluments in respect of their services as directors of Abbey National plc, details of which can be found in the accounts of Abbey National plc.

The auditors' remuneration has been borne by the immediate parent undertaking, Abbey National Investments Holdings Limited.

The company had no directly employed staff during the year (2001: nil).

The company paid a management charge of £nil (2001: £nil) to a fellow subsidiary undertaking during the year.

5. TAXATION

	2002 £	2001 £
Group relief payable	<u>-</u>	<u>-</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts owed to parent and subsidiary undertakings	<u>4,577</u>	<u>4,577</u>

7. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised:		
186,000 ordinary shares of £1 each	<u>186,000</u>	<u>186,000</u>
Allotted:		
181,736 ordinary shares of £1 each	<u>181,736</u>	<u>181,736</u>
Called up and fully paid:		
181,734 ordinary shares of £1 each	181,734	181,734
Called up and unpaid:		
2 ordinary shares of £2 each	2	2
	<u>181,736</u>	<u>181,736</u>

ABBAY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

8. PROFIT AND LOSS ACCOUNT

	£	£
As at 1 April 2001	196,100	196,100
Retained profit for the year	-	-
As at 31 March 2002	<u>196,100</u>	<u>196,100</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Shareholders' funds at 1 April	377,836	377,836
Profit for the financial year	-	-
Shareholders' funds at 31 March	<u>377,836</u>	<u>377,836</u>

10. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Abbey National Investments Holdings Limited which is registered in England and Wales. According to the register kept by the company, Abbey National Investments Holdings Limited has a 100% interest in the equity capital of Abbey National Independent Investments at 31 March 2002.

The company's ultimate parent undertaking and controlling party is Abbey National plc which is incorporated in Great Britain and registered in England and Wales. Abbey National plc has a 100% interest in the equity capital of Abbey National Investments Holdings Limited according to the register kept by the latter company at 31 March 2002.

Consolidated accounts for Abbey National plc and the accounts of Abbey National Investments Holdings Limited are available from Abbey National House, 2 Triton Square, Regent's Place London NW1 3AN.