

SPL (HOLDINGS 1) LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002
Registered No. SC214932



SPL (HOLDINGS 1) LIMITED

Report of the Directors

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

1. Principal activity

The company was incorporated on 19 January 2001 to act as an investment holding company. The Company acquired 99% of the issued ordinary shares of Scottish Provident Limited during 2001.

2. Review of the year

During the year the company issued additional share capital of £1,519,650,000. Through the benefit of this additional funding, the Company invested £1,519,650,000 by way of subscription for additional shares in Scottish Provident Limited.

In 2003, the Company issued a further £217,800,000 of share capital, the proceeds of which were invested in Scottish Provident Limited.

3. Results for the period

The results are shown in the Profit and Loss account on Page 4. The Company has made provision during 2002 of £512,919,000 against the value of its investment in Scottish Provident Limited.

4. Dividend

The Directors do not recommend the payment of a dividend.

5. Directors and their interests

The Directors who served during the year were:

Mr G R Pottinger (resigned 30/6/02)
Mrs C Ramsay (appointed 25/6/02)
Mr D G Wallace

Mr D G Wallace resigned and Mr Kerr Luscombe was appointed as a director on 1 January, 2003.

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 ultimate parent company, Abbey National plc were as follows:

Directors	At 1 January 2002 (or at date of appointment if later)		Options granted during the period (or after date of appointment if later)	Options extinguished during the period (or after date of appointment if later)		At 31 December 2002	
	Shares	Options		Exercised	Cancelled	Shares	Options
Mrs C Ramsay	1,343	3,413	-	-	-	1,343	3,413
Mr D G Wallace	1,310	47,173	22,689	(6,648)	(745)	2,078	62,469

Options granted during the period under the Executive Share Option Scheme were granted at the price of 972p and are exercisable between 2005 and 2012.

SPL (HOLDINGS 1) LIMITED

Report of the Directors (continued)

5. Directors and their interests (continued)

Options granted during the period under the Sharesave share option scheme were granted at a price of 776p and are exercisable in 2007.

Options granted during the period under the Share Matching Scheme are exercisable on 21 March 2005.

The market price of the shares at 31 December 2002 was 518p and the range during 2002 was 487p to 1132p.

6. Directors' Responsibility in respect of the Preparation of Accounts

The Directors are required by UK company law and accounting standards to prepare accounts 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 the profit or loss 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 accounts for the year ended 31 December 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.

7. Auditors

In accordance with Section 386 of the Companies Act 1985, the Company will elect to dispense with the obligation to appoint auditors annually.

By Order of the Board


Mrs C Ramsay
Secretary

25 April, 2003

Registered Office:
301 St Vincent Street
Glasgow
G2 5HN

SPL (HOLDINGS 1) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPL (HOLDINGS 1) LIMITED

We have audited the financial statements of SPL (Holdings 1) Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 and the other information contained in the annual report for the above year 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 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 December 2002 and of its loss 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
Glasgow

29 April, 2003

SPL (HOLDINGS 1) LIMITED**Profit and Loss Account****For the year ended 31 December 2002**

	Notes	2002 £	19 January to 31 December 2001 £
Interest receivable	3	7,015,584	85
Interest payable	4	(6,411,083)	-
Administrative expenses	2	(2,009)	-
Other Income - Currency Exchange Gain		7,187	-
Provision against fixed asset investment	6	(512,919,000)	-
(LOSS)/PROFIT on ORDINARY ACTIVITIES BEFORE TAXATION		(512,309,321)	85
Taxation on (loss)/profit on ordinary activities	5	(182,904)	(25)
(LOSS)/PROFIT on ORDINARY ACTIVITIES AFTER TAX	11	(512,492,225)	60
Profit and loss account b/f		60	-
Profit and loss account c/f		(512,492,165)	60

All transactions are derived from continuing operations.

Statement of Total Recognised Gains and Losses
For the year ended 31 December 2002

	2002 £	19 January to 31 December 2001 £
(Loss)/Profit after tax for the financial period	(512,492,225)	60
Capital contribution received	-	99,000
Total Recognised (losses)/gains for the financial period	(512,492,225)	99,060

SPL (HOLDINGS 1) LIMITED**Balance Sheet****As at 31 December 2002**

	Notes	2002 £	2001 £
FIXED ASSETS			
Investment in subsidiary undertaking	6	1,006,830,000	99,000
CURRENT ASSETS			
Debtors	7	1,649,670	39,600,002
Investment in time deposits with credit institutions		173,044,900	-
Cash at bank	8	<u>890,084</u>	<u>85</u>
		<u>175,584,654</u>	<u>39,600,087</u>
CREDITORS - amounts falling due within one year	9	<u>(175,157,817)</u>	<u>(39,600,025)</u>
NET CURRENT ASSETS		<u>426,837</u>	<u>62</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,007,256,837</u>	<u>99,062</u>
CAPITAL and RESERVES			
Called up share capital	10	1,519,650,002	2
Capital Contribution Reserve		99,000	99,000
Profit and loss account		<u>(512,492,165)</u>	<u>60</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>1,007,256,837</u>	<u>99,062</u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 25 April, 2003 and were signed on its behalf by :



Kerr Luscombe
Director

SPL (HOLDINGS 1) LIMITED

Notes to the Accounts for the year ended 31 December 2002

1. Accounting Policies

Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

- (1) Interest receivable is calculated on an accruals basis.
- (2) Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Income and expenditure denominated in foreign currencies are translated at the appropriate rates prevailing during the year.
- (3) Investments held as fixed assets are stated at cost less provision for impairment. In the opinion of the directors the aggregate value of the Company's investments in subsidiary undertakings is not less than the amount at which they are stated in the accounts.
- (4) The Company is a wholly owned subsidiary of Abbey National plc, a company incorporated in Great Britain. Accordingly the Company is not required to produce a cash flow statement as prescribed in paragraph 5 (a) of Financial Reporting Standard No.1 (revised 1996), Cash Flow Statements.
- (5) Provision has been made for any taxation liability arising in respect of income or gains arising in the accounting period. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. The timing differences arise from the inclusion of items of income, gains on investments and expenditure in taxation computations in different periods from which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

2. Administrative Expenses

Administrative expenses for the company are charged to other group companies. No audit or management fee for administrative services is charged to the Company.

The Company has no employees.

The Company paid no emoluments to the directors during the year.

3. Interest Receivable

	2002	19 January to 31 December 2001
	£	£
Interest Receivable from other banks	6,985,854	-
Interest Receivable from Group Companies	29,730	85
	<u>7,015,584</u>	<u>85</u>

4. Interest Payable

	2002	19 January to 31 December 2001
	£	£
Loan Note Interest Payable	6,411,083	-
	<u>6,411,083</u>	<u>-</u>

SPL (HOLDINGS 1) LIMITED**Notes to the Accounts for the year ended 31 December 2002 (continued)****5. Taxation on (Loss)/Profit on Ordinary Activities**

	2002 £	19 January to 31 December 2001 £
(a) Analysis of Charge in Period		
<u>UK Corporation Tax</u>		
Current Tax on income for the period	51,907	25
Group Relief payable	130,997	-
Current Tax Charge	<u>182,904</u>	<u>25</u>
(b) Factors affecting tax charge for the period		
(Loss)/Profit on ordinary activities before tax	<u>(512,309,321)</u>	<u>85</u>
(Loss)/Profit on ordinary activities multiplied by the standard rate corporation tax in UK of 30%	(153,692,796)	25
Impairment provision not subject to corporation tax	153,875,700	-
Tax charge for the period	<u>182,904</u>	<u>25</u>

On the basis of the accounting policy set out at note 1, there is a liability to deferred tax of £ nil (2001: £ nil). There is no unprovided deferred tax.

6. Investments held as fixed assets

	Unlisted £
Cost	
At 1 January 2002	99,000
Additions	1,519,650,000
At 31 December 2002	<u>1,519,749,000</u>
Provisions	
Provisions made during the year	(512,919,000)
At 31 December 2002	<u>(512,919,000)</u>
Net Asset Value	
At 31 December 2002	<u>1,006,830,000</u>
At 31 December 2001	<u>99,000</u>

SPL (HOLDINGS 1) LIMITED

Notes to the Accounts for the year ended 31 December 2002 (continued)

6. Investments held as fixed assets (continued)

Investments in Group Undertakings

The Company's investments in subsidiary undertakings at cost less amounts provided can be analysed as follows:

Name	At 1 January 2002 £	Additions £	Provisions £	At 31 December 2002 £
Scottish Provident Limited	99,000	1,519,650,000	(512,919,000)	1,006,830,000
Net Asset Value	99,000	1,519,650,000	(512,919,000)	1,006,830,000

The following are particulars of the Company's principal subsidiary undertakings. All holdings are in ordinary shares. The Company owns 99% of Scottish Provident Limited.

Direct subsidiaries	Country of incorporation	Nature of business
Scottish Provident Limited	Scotland	Long-term assurance provider

Indirect subsidiaries

SPI Finance PLC	England	Finance Company
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The company subscribed to share capital issued by Scottish Provident Limited at a cost of £1,519,650,000 during the year.

7. Debtors : amounts falling due within one year

	2002 £	2001 £
Amounts due from immediate parent company	2	2
Amounts due from subsidiary company	-	39,600,000
Accrued income	1,649,668	-
	<u>1,649,670</u>	<u>39,600,002</u>

8. Cash at Bank

	2002 £	2001 £
Held at Abbey National plc – on demand	659,026	85
Held with other banks – on demand	231,058	-
	<u>890,084</u>	<u>85</u>

SPL (HOLDINGS 1) LIMITED

Notes to the Accounts for the year ended 31 December 2002 (continued)

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Loan Notes Payable	173,259,595	-
Sundry creditors and accruals	1,741,993	-
Amounts owed to subsidiary	147,214	39,600,000
Corporation tax payable	9,015	25
	<u>175,157,817</u>	<u>39,600,025</u>

The loan notes, guaranteed by Abbey National plc, may be redeemed 31 March and 30 September each year and in any event will be redeemed 31 March 2012. The interest rate paid on the loan notes is floating at LIBOR less 50 basis points.

10. Called up Share Capital

	2002 £	2001 £
Authorised:		
1,519,651,000 (2001: 1000) Ordinary shares of £1 each	<u>1,519,651,000</u>	<u>1,000</u>
Allotted, called up and fully paid :		
1,519,650,002 (2001: 2) Ordinary shares of £1 each	<u>1,519,650,002</u>	<u>2</u>

Shares issued in the year were:	Number	Nominal Value £	Consideration £
Ordinary shares of £1 each	<u>1,519,650,000</u>	<u>1,519,650,000</u>	<u>1,519,650,000</u>

Share Capital issued during the year was for the following purposes:

To invest in Scottish Provident Ltd	<u>1,519,650,000</u>	<u>1,519,650,000</u>	<u>1,519,650,000</u>
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11. Reconciliation of Movements in Equity Shareholders' Funds

	2002 £	2001 £
Opening shareholders' funds	99,062	-
Retained (loss)/profit	(512,492,225)	60
Ordinary share capital issued	1,519,650,000	2
Capital contribution	-	99,000
Closing shareholders' funds	<u>1,007,256,837</u>	<u>99,062</u>

SPL (HOLDINGS 1) LIMITED

Notes to the Accounts for the year ended 31 December 2002 (continued)

12. Related Party Disclosures

There were no related party transactions during the period, or existing at the balance sheet date, with Directors of the Company.

The Company has taken advantage of the exemption covered by paragraph 3(c) of FRS8 'Related Party Disclosures' not to disclose transactions with entities that are part of the Abbey National Group.

13. Ultimate Parent and Controlling Party

SPL (Holdings 1) Limited is incorporated in Scotland. The immediate parent company at the end of the period is SPL (Holdings) Limited. Consolidated accounts have not been prepared since the Company is a wholly owned subsidiary of Abbey National plc, which is registered in England and Wales.

The Company's ultimate parent company is Abbey National plc, which is registered in England and Wales. The only group in which the results of the Company are consolidated is headed by Abbey National plc.

The consolidated accounts of Abbey National plc are available to the public and may be obtained from Abbey National plc, Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.