

**ABBNEY NATIONAL INDEPENDENT INVESTMENTS**

**REPORT AND ACCOUNTS**

**For the year ended 31 March 2000**

**Registered in England and Wales No. 2468305**



## ABBEY NATIONAL INDEPENDENT INVESTMENTS

### DIRECTORS' REPORT

The directors present the report and accounts of Abbey National Independent Investments for the year ended 31 March 2000.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Since incorporation the company has acted as an investment company. Following the disposal of the investment portfolio it is the directors' current intention that the company cease business.

### RESULTS FOR THE YEAR

The profit for the year on ordinary activities after taxation amounted to £ 3,191 (1999: £87,240) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

M A Pain  
I K Treacy  
J King (resigned 2 December 1999)  
N Wilkes (appointed 2 December 1999)

In accordance with the Articles of Association of the company the directors are not required to apply for re-election.

The directors did not have any interest in the shares and debentures of the company or any other subsidiaries of Abbey National plc.

The interests of the directors in the ordinary shares of 10p each of Abbey National plc are shown below:

	Shares at 1 April 1999	At 31 March 2000	Options at 1 April 1999	Granted	Exercised	At 31 March 2000
M A Pain	16,064	22,964	28,991	371	5,371	23,991
I K Treacy	41,372	46,079	29,899	-	4,707	25,192
N Wilkes	*13,308	13,309	*22,550	13,544	349	35,745

(\*at date of appointment)

## ABBEY NATIONAL INDEPENDENT INVESTMENTS

### DIRECTORS' REPORT (continued)

#### DIRECTORS AND THEIR INTERESTS (continued)

Mr Pain and Mr Treacy also had interests in the ordinary shares of 10p each of Abbey National plc as a result of conditional rights acquired by them under the Abbey National Long Term Incentive Plan (the "Plan"). Full details of the plan are set out in the Report and Accounts of Abbey National plc. The directors interests are as follows:-

	Conditional Rights held Under the plan At 1 April 1999	Conditional Rights Granted during year	Shares Awarded during year	Conditional Rights lapsed during year	Conditional Rights held under plan at 31 March 2000
M A Pain	22,763	28,320	-	-	51,083
I K Treacy	36,586	23,404	6,571	6,572	59,990

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes are exercisable at prices between 428p to 989p per share within six months of the third, fifth and seventh anniversary of the contract start date. Options granted under the Executive Share Option Scheme and Employee Share Option Scheme are exercisable at prices between 590p to 1306p per share after three or five years and within ten years from the date of the grant.

Shares in respect of Executive Share Options granted in the year are held by Abbey National Executive Share Option Plan Trust (the 'Trust'). Whilst the directors' interests in these shares (if any) are included above, 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 March 2000, the Trust held 4,398,986 ordinary shares (1999:1,535,964).

Shares awarded under the Abbey National Long Term Incentive Plan are held by the Abbey National Employee Trust (the 'Employee Trust'). The 6,571 shares awarded to Mr Treacy during the year are held in trust at 31 March 2000 and are receivable as to 3,285 shares in 2000 and 3,286 shares in 2002. Whilst the Plan is currently restricted to the 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 all of the shares held by the Trust. At 31 March 2000, the Trust held 635,677 ordinary shares (1999: 389,320).

#### ECONOMIC AND MONETARY UNION

The Group's preparations for the introduction of the euro were completed in time for the opening of the financial markets on 4 January 1999. The Group continues to prepare for the possibility of the UK entering the EMU.

The costs of the plans to address the above were not material to the Company.

#### AUDITORS

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. The directors resolved to appoint Deloitte & Touche as auditors of the Company, in accordance with the resolution by Abbey National plc to appoint Deloitte & Touche as auditors of Abbey National plc and its subsidiaries.

## ABBEY NATIONAL INDEPENDENT INVESTMENTS

### DIRECTORS' REPORT (continued)

#### STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors of Abbey National Independent Investments are required by UK company law to prepare accounts which 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 the year. They are also responsible for ensuring that proper and adequate accounting records have been maintained, and that reasonable procedures have been followed for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. In respect of the accounts, the directors are required to:

- ensure that appropriate accounting policies, which follow generally accepted accounting practice, have been applied consistently;
- ensure that reasonable and prudent judgements and estimates have been used in the preparation of the accounts;
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the group will continue in business; and
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the accounts.

By Order of the Board



For and on behalf of  
Abbey National Secretariat Services Limited  
Company Secretary  
*17th January 2001*

Registered office:

Abbey House  
Baker Street  
London  
NW1 6XL  
England

## **ABBEY NATIONAL INDEPENDENT INVESTMENTS**

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

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **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 accounts.

#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its profit 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  
Stonecutter Court  
1 Stonecutter Street  
London, EC4A 4TR**

*18 January 2001*

## ABBEY NATIONAL INDEPENDENT INVESTMENTS

### PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2000

	Notes	2000 £	1999 £
Investment income	3	2,451	14,861
Gain on sale of investments		-	76,941
Administrative expenses		(38)	(56)
		<hr/>	
<b>Profit on ordinary activities before taxation</b>	4	2,413	91,746
Tax on profit on ordinary activities	5	778	(4,506)
		<hr/>	
<b>Profit for the financial year</b>	8	<u>3,191</u>	<u>87,240</u>

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

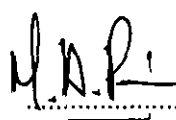
The company's results as reported are on an historical cost basis. Accordingly, no separate statement of historical cost profits and losses has been presented.

# ABBEY NATIONAL INDEPENDENT INVESTMENTS

## BALANCE SHEET as at 31 March 2000

	Notes	2000 £	1999 £
<b>Current assets</b>			
Amounts due from fellow subsidiary undertakings		382,366	348,660
Called up share capital not paid	7	2	2
Sundry debtors		45	45
Cash at bank and in hand		-	30,698
		<hr/>	<hr/>
		382,413	379,405
<b>Creditors: amounts falling due within one year</b>	6	(4,577)	(4,760)
		<hr/>	<hr/>
<b>Net current assets</b>		<u>377,836</u>	<u>374,645</u>
<b>Total assets less current liabilities</b>		<u>377,836</u>	<u>374,645</u>
<b>Capital and reserves</b>			
Called up share capital	7	181,736	181,736
Profit and loss account	8	196,100	192,909
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	9	<u>377,836</u>	<u>374,645</u>

The accounts on pages 5 to 10 were approved by the Board of Directors on *17 January 2001* and were signed on its behalf by:

 Director  
**MARK PAIN**

# ABBNEY 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 accounting standards.

The directors have prepared these financial statements on a going concern basis. Preparation of the financial statements on any other basis will not result in a material difference to the results.

#### Investment income

Investment income is recognised on receivable basis.

#### Fixed asset investments

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

#### Deferred taxation

Deferred taxation is provided only where it is probable that a taxation asset or liability will arise. Provision is made at rates expected to be applicable when the assets or liabilities crystallise.

#### 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

	2000 £	1999 £
Income from listed investments	1,911	7,931
Interest income from group undertakings	(36)	6,480
Other interest	576	450
	<u>2,451</u>	<u>14,861</u>



# ABBEY NATIONAL INDEPENDENT INVESTMENTS

## NOTES TO THE ACCOUNTS (continued)

### 4. 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 (1999: nil). However M Pain and I K Treacy received emoluments in respect of their services as director 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 (1999: nil).

The company paid a management charge of £38 (1999: £56) to a fellow subsidiary undertaking during the year.

### 5. TAXATION

	2000 £	1999 £
Group relief payable at 30% (1999:31%)	151	2,919
Tax on franked investment income	-	1,587
Group relief prior year	<u>(929)</u>	<u>-</u>
	<u>(778)</u>	<u>4,506</u>

# **ABBEY NATIONAL INDEPENDENT INVESTMENTS**

## **NOTES TO THE ACCOUNTS (continued)**

### **6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2000 £	1999 £
Amounts due to parent and subsidiary undertakings	<u>4,577</u>	<u>4,760</u>

### **7. CALLED UP SHARE CAPITAL**

	2000 £	1999 £
<b>Authorised:</b>		
186,000 ordinary shares of £1 each	<u>186,000</u>	<u>186,000</u>
<b>Allotted:</b>		
181,736 ordinary shares of £1 each	<u>181,736</u>	<u>181,736</u>
Paid up	181,734	181,734
Called up not yet paid	2	2
	<hr/>	<hr/>
	<u>181,736</u>	<u>181,736</u>

### **8. PROFIT AND LOSS ACCOUNT**

	£
As at 1 April 1999	192,909
Retained profit for the year	<u>3,191</u>
As at 31 March 2000	<u>196,100</u>

# ABBEY NATIONAL INDEPENDENT INVESTMENTS

## NOTES TO THE ACCOUNTS (continued)

### 9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1998 £
Shareholders' funds at 1 April	374,645	287,405
Profit for the financial year	<u>3,191</u>	<u>87,240</u>
Shareholders' funds at 31 March	<u>377,836</u>	<u>374,645</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 2000.

The company's ultimate parent undertaking and controlling party is Abbey National plc which is 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 2000.

Consolidated accounts for Abbey National plc and the accounts of Abbey National Investments Holdings Limited are available from Abbey House, Baker Street, London, NW1 6XL.