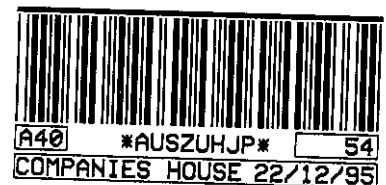


ABBEY NATIONAL INDEPENDENT INVESTMENTS

REPORT AND ACCOUNTS

For the year ended 31 March 1995

Registered in England and Wales No. 2468305



ABBAY NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT

The directors present the report and accounts of Abbey National Independent Investments for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES

Since incorporation the company has acted as an investment company. The directors foresee no change in its activities.

RESULTS FOR THE YEAR

The profit for the year on ordinary activities after taxation amounted to £9,599 (1994: £23,794) 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:

J M Fry (Chairman)
I K Treacy
I Harley

Following the adoption of new Articles of Association by the company on 25 May 1995, the necessity for directors to apply for re-election is no longer a requirement.

None of the directors had any interests in the shares or debentures of the company or any other subsidiary of Abbey National plc.

The beneficial interests of the directors and their immediate families in the ordinary shares of 10p each in Abbey National plc are shown below:

	Shares		Options	
	At 1 April 1995	At 31 March 1996	At 1 April 1995 Granted	At 31 March 1996
J.M. Fry	3,324	3,324	194,918	194,918
I. Harley	5,523	5,523	109,369	140,351
I.K. Treacy	1,400	1,400	93,720	110,629

Details of options:-

	At 31 March 1995	Exercise Price £	Date from which exercisable	Expiry date	Notes
J.M. Fry	7,248	1.49	1 Jul 95	31 Dec 95	Sharesave
	1,616	2.32	1 Oct 96	31 Mar 97	Sharesave
	1,569	2.39	1 Jun 97	30 Nov 97	Sharesave
	84,381	2.702	21 May 94	21 May 01	Executive
	100,104	2.99	5 May 95	5 May 02	Executive(1)
	194,918				

ABBEY NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

	At 31 March 1995	Exercise Price £	Date from which exercisable	Expiry date	Notes
I. Harley	7,248	1.49	1 Jul 95	31 Dec 95	Sharesave
	1,616	2.32	1 Oct 96	31 Mar 97	Sharesave
	1,569	2.39	1 Jun 97	30 Nov 97	Sharesave
	41,635	2.702	21 May 94	21 May 01	Executive
	12,092	2.99	5 May 95	5 May 02	Executive
	17,908	2.54	5 May 97	5 May 02	Executive(2)
	20,476	3.69	29 Mar 96	29 Mar 03	Executive
	6,825	3.14	29 Mar 98	29 Mar 03	Executive(3)
	23,237	4.68	11 Apr 97	10 Apr 04	Executive
	7,745	3.98	11 Apr 99	10 Apr 04	Executive(4)
	140,351				
I.K. Treacy	4,849	2.32	1 Oct 98	31 Mar 99	Sharesave
	35,128	2.989	6 Aug 94	6 Aug 01	Executive
	13,718	2.99	5 May 95	5 May 02	Executive
	16,282	2.54	5 May 97	5 May 02	Executive(2)
	4,707	2.39	1 Jun 99	30 Nov 99	Sharesave
	14,277	3.69	29 Mar 96	29 Mar 03	Executive
	4,759	3.14	29 Mar 98	29 Mar 03	Executive(3)
	12,682	4.68	11 Apr 97	10 Apr 04	Executive
	4,227	3.98	11 Apr 99	10 Apr 04	Executive(4)
	110,629				

Notes

1. The number of options over Abbey National plc ordinary 10p shares granted to Mr J M Fry on 5 May 1992 were reduced from 108,561 to 100,104 in line with Inland Revenue requirements, effective 31 July 1995.
2. Parallel standard options were granted over these shares exercisable at £2.99 from 5 May 1995 to 5 May 2002.
3. Parallel standard options were granted over these shares exercisable at £3.69 from 29 March 1996 to 29 March 2003.
4. Parallel standard options were granted over these shares exercisable at £4.68 from 11 April 1997 to 10 April 2004.

DIRECTORS' LIABILITY INSURANCE

The company maintains insurance cover for directors' and officers' liability, as permitted by Section 310(3) of the Companies Act 1985.

ABBEY NATIONAL INDEPENDENT INVESTMENTS

DIRECTORS' REPORT (continued)

AUDITORS

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

Coopers & Lybrand, the company auditors, are therefore deemed to be reappointed as the company's auditors for each succeeding financial year, so long as such election remains in force.

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

U. Whelan 20/11/95

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

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

We have audited the accounts on pages 5 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts give a true and fair view of the state of the company's affairs at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

14 Dec 1995

ABBEY NATIONAL INDEPENDENT INVESTMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1995

	Notes	1995 £	1994 £
Investment income	3	12,324	7,812
Administrative expenses		(9)	(9)
Profit on sale of investments		-	20,339
Profit on ordinary activities before taxation	4	12,315	28,142
Taxation	5	(2,716)	(4,348)
PROFIT FOR THE YEAR	10	<u>9,599</u>	<u>23,794</u>

All activities of the company are regarded as continuing. 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 note of historical cost profits and losses has been presented.

ABBAY NATIONAL INDEPENDENT INVESTMENTS

BALANCE SHEET as at 31 March 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Investments	6	<u>164,927</u>	<u>164,927</u>
CURRENT ASSETS			
Amounts due from group undertakings		2	16
Cash at bank and in hand		65,108	54,887
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	<u>(6,136)</u>	<u>(5,528)</u>
NET CURRENT ASSETS		<u>58,974</u>	<u>49,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>223,901</u>	<u>214,302</u>
CAPITAL AND RESERVES			
Called up share capital	9	181,736	181,736
Reserves	10	<u>42,165</u>	<u>32,566</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>223,901</u>	<u>214,302</u>

The notes on pages 7 to 10 form part of these accounts.

The accounts on pages 5 to 10 were approved by the Board of Directors on 9th November 1995 and were signed on its behalf by:

.....  Director

ABBEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS

For the year ended 31 March 1995

1. ACCOUNTING POLICIES

Basis of accounting

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

Investment income

Investment income is recognised upon receipt.

Fixed asset investments

Listed investments are shown at cost less provision for any permanent diminution in value.

Deferred taxation

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

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 8(c) of Financial Reporting Standard 1, Cash Flow Statements.

3. INVESTMENT INCOME	1995 £	1994 £
Income from listed investments	10,473	6,047
Bank interest	1,851	1,765
	<u>12,324</u>	<u>7,812</u>

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 (1994: nil). However, J M Fry and I Harley 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 (1994: nil).

ABBEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS

For the year ended 31 March 1995

5. TAXATION

	1995 £	1994 £
Group relief - current year	622	3,139
Tax on franked investment income	2,094	1,209
	<u>2,716</u>	<u>4,348</u>

6. INVESTMENTS

All investments are quoted on a recognised stock exchange.

	£
As at 1 April 1994	164,927
Additions	-
Disposals	-
	<u>164,927</u>
As at 31 March 1995	<u>164,927</u>

The market value of the listed investments at 31 March 1995 was £195,909 (1994: £186,234).

7. SIGNIFICANT SHAREHOLDINGS

Investments where the aggregate amount of the shareholding in the undertaking exceeds 10 per cent of the total assets of the company as stated on the balance sheet:

Name	Country of incorporation or registration	Class of capital	% of class held
Associated British Foods plc	England	Ordinary	<1
British Gas plc	England	Ordinary	<1
Thorn EMI plc	England	Ordinary	<1
Argyll Group plc	England	Ordinary	<1

ABBNEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS

For the year ended 31 March 1995

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £	1994 £
Amounts due to parent and subsidiary undertakings	<u>6,136</u>	<u>5,528</u>

9. SHARE CAPITAL

	1995 £	1994 £
Authorised 186,000 ordinary shares of £1 each	<u>186,000</u>	<u>186,000</u>
Allotted	<u>181,736</u>	<u>181,736</u>
Called up	<u>181,736</u>	<u>181,736</u>
Paid up	181,734	181,734
Called up not yet paid	2	2
	<u>181,736</u>	<u>181,736</u>

10. MOVEMENT ON RESERVES

	£
As at 1 April 1994	32,566
Profit for the year	9,599
	<hr/>
As at 31 March 1995	<u>42,165</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £	1994 £
Opening shareholders' funds	214,302	190,508
Profit for the financial year	9,599	23,794
	<hr/>	<hr/>
Closing shareholders' funds	<u>223,901</u>	<u>214,302</u>

ABBEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS

For the year ended 31 March 1995

12. ULTIMATE PARENT UNDERTAKING

The company's intermediate 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 1995.

The company's ultimate parent undertaking 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 1995. Consolidated accounts for Abbey National plc are available from Abbey House, Baker Street, London, NW1 6XL.