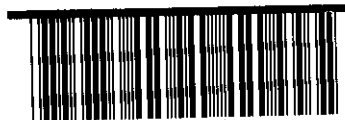


ABBEY NATIONAL INDEPENDENT INVESTMENTS

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

Registered in England and Wales No. 2468305



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ABBAY NATIONAL INDEPENDENT INVESTMENTS

REPORT OF THE DIRECTORS

The Directors submit their report together with the accounts for the year ended 31 March 2003.

1. Principal activity

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

2. Results and dividends

The results for the year on ordinary activities after taxation amounted to £nil (2002: £nil). The Directors do not recommend the payment of a dividend (2002: £nil).

DIRECTORS AND THEIR INTERESTS

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

N Wilkes
J R Smart (Resigned 14 March 2003)
A Newell

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 interests 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:

Ordinary Shares of 10 pence each

	As at 1 April 2002 or date of appointment if later	As at 31 March 2003
N Wilkes	10,686	13,786
A Newell	1,433	6,607

Option Schemes – Ordinary Shares of 10 pence each

	As at 1 April 2002 or date of appointment if later	Options granted during the year	Options exercised during the year	As at 31 March 2003
N Wilkes	65,221	53,777	2,958	116,040
A Newell	88,568	85,338	15,627	158,279

ABBAY NATIONAL INDEPENDENT INVESTMENTS

REPORT OF THE DIRECTORS (continued)

Options granted to Directors under the Abbey National Sharesave Scheme are exercisable at prices between 306 pence and 776 pence 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 Employee Share Option Schemes are exercisable at prices between 373 pence and 1306 pence per share after three years or five years and before ten years from the date of grant.

Shares in respect of Executive Share Options granted in 2002 are held by the Abbey National ESOP 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 2003 the Trust held 7,857,237 ordinary shares (2002 – 8,726,541 shares).

Abbey National also operates a Share Matching Scheme and a Partnership Share Scheme under its Employee Share Option Scheme. Under the Share Matching Scheme all eligible employees who are invited to participate can choose to use all or part of their annual bonus to buy shares under the Scheme. Abbey National grants matching awards over shares ("matching shares") equal in value to the amount of the bonus before tax that the employee uses to buy the shares. These will normally vest on the third anniversary of the date on which they are granted, as long as specified performance conditions are met. The matching awards are included, where applicable, in the options shown for the Directors above. The shares automatically transfer to the individual as and when they vest.

The Partnership Share Scheme 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 plc. These shares may be purchased within 30 days from 31 May 2003 at their market value on 1 June 2002 or, if lower, their market value on or shortly after 31 May 2003. 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 2002 (1021 pence per share), is 146 shares. If the share price at 31 May 2003 (or shortly after) is lower than 1021 pence per share, then the number of shares which may be acquired, may be more than 146 shares. On the basis of the share price at 31 March 2003 (329 pence per share), 455 shares would be the maximum number of shares that could be acquired under the scheme.

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 2003, the Employee Trust held 1,587,258 ordinary shares (2002 – 1,102,853 shares).

4. Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

ABBEY NATIONAL INDEPENDENT INVESTMENTS

REPORT OF THE DIRECTORS (continued)

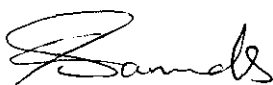
5. Statement of Directors' responsibilities

The Directors are required by United Kingdom 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 the profit or loss of the Company for that year.

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 2003. 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**

1 December 2003

Registered Office Address:

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

ABBEY NATIONAL INDEPENDENT INVESTMENTS

INDEPENDENT REPORT OF THE 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 2003 which comprise the balance sheet and the related notes 1 to 8. 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 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

**Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London**

1 December 2003

ABBEY NATIONAL INDEPENDENT INVESTMENTS

BALANCE SHEET

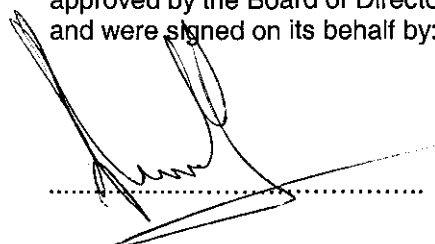
At 31 March 2003

	Notes	2003 £	2002 £
Current assets			
Amounts owed by group undertakings		382,366	382,366
Called up share capital not paid		2	2
Sundry debtors		45	45
		<u>382,413</u>	<u>382,413</u>
Creditors: amounts falling due within one year	4	<u>(4,577)</u>	<u>(4,577)</u>
Net current assets		<u>377,836</u>	<u>377,836</u>
Total assets less current liabilities		<u>377,836</u>	<u>377,836</u>
 Capital and reserves			
Called up share capital	5	181,736	181,736
Profit and loss account	6	<u>196,100</u>	<u>196,100</u>
Equity shareholders' funds	7	<u>377,836</u>	<u>377,836</u>

The notes on pages 6 to 7 form part of these accounts.

The accounts on pages 5 to 7 were approved by the Board of Directors on and were signed on its behalf by:

1 December 2003

 Director

ABBAY 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.

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. PROFIT AND LOSS ACCOUNT

The Company has not prepared a profit and loss account as there was no revenue during the current financial period and its expenses and Auditors' remuneration were borne by the parent undertaking.

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts owed to parent and subsidiary undertakings	<u>4,577</u>	<u>4,577</u>

5. CALLED UP SHARE CAPITAL

	2003 £	2002 £
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 £1 each	2	2
	<u>181,736</u>	<u>181,736</u>

ABBEY NATIONAL INDEPENDENT INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

6. PROFIT AND LOSS ACCOUNT

	2003 £	2002 £
As at 1 April 2002	196,100	196,100
Retained profit for the year	<u>-</u>	<u>-</u>
As at 31 March 2003	<u>196,100</u>	<u>196,100</u>

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Shareholders' funds at 1 April 2002	377,836	377,836
Profit for the financial year	<u>-</u>	<u>-</u>
Shareholders' funds at 31 March 2003	<u>377,836</u>	<u>377,836</u>

8. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Abbey National Investments Holdings Limited which is registered in England and Wales. Abbey National Investments Holdings Limited has a 100% interest in the equity capital of Abbey National Independent Investments at 31 March 2003.

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 at 31 March 2003.

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.