

ABBEEY NATIONAL UK INVESTMENTS
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001
Registered No. 2957569



ABBEY NATIONAL UK INVESTMENTS

Report of the Directors

The Directors submit their report together with the accounts for the year ended 31 December 2001.

1. Principal activity and review of the year

The principal activity of the Company continues to be that of an investment company. No future changes in activity are envisaged.

2. Results and Dividend

The results for the year are set out on page 5. The profit of £28,301,515 (2000 - £31,071,569) will be transferred to reserves. The Directors do not recommend the payment of a dividend (2000 - £nil).

3. Directors and their interests

The Directors who served during the year were :

Mr M A Pain	Resigned 31 October 2001
Mr I K Treacy	
Mr N Wilkes	
Mr A Newell	Appointed 31 October 2001

Mr I K Treacy ceased to be a Director of the Company with effect from 28 February 2002

Mr J R Smart has been appointed a Director of the Company with effect from 28 February 2002

None of the Directors had an interest in the shares of the Company at the year end. The Directors' interests in the shares of the ultimate holding company, Abbey National plc, (other than those for Mr Treacy which are disclosed in that company's annual report) were as follows :

Ordinary Shares 10p each

Directors	As at 1 January 2001 or at date of appointment if later.	Shares acquired during the year or since appointment if later.	Shares disposed of during the year or since appointment if later.	As at 31 December 2001
Mr N Wilkes	13,370	33	4,864	8,539
Mr A Newell	189	-	-	189

Option Schemes - Ordinary Shares 10p each

Directors	As at 1 January 2001 or at date of appointment if later.	Options granted during the year or since appointment if later.	Options exercised during the year or since appointment if later.	As at 31 December 2001
Mr N Wilkes	36,402	8,303	-	44,705
Mr A Newell	58,785	-	-	58,785

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Report of the Directors (continued)

Options granted to Directors under the ultimate holding company's Sharesave Scheme are exercisable at prices between 428 pence and 906 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 590 pence and 1,306 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 2001 are held by the Abbey National ESOP Trust (the Trust). Whilst the Directors' interest 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 December 2001 the Trust held 5,890,235 ordinary shares (2000 - 4,323,411).

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. If the share price at 31 May 2002 (or shortly after) is lower than £12.35, then the number of shares which may be acquired, may be more than 121 shares. On the basis of the share price at 31 December 2001 (£9.80), 153 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 December 2001, the Employee Trust held 604,362 ordinary shares (2000 - 604,362).

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

The Directors are required by United Kingdom company law 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 2001. 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.

5. Economic Monetary Union

No material costs or issues arose during the year ended 31 December 2001 as a result of EMU.

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Report of the Directors (continued)

6. 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.

By order of the Board



For and behalf of
Abbey National Secretariat Services Limited, Secretary

29th May

2002:

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

ABBEY NATIONAL UK INVESTMENTS

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

We have audited the financial statements of Abbey National UK Investments for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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.

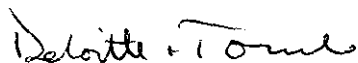
Basis of audit opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

11 June 2002

ABBEY NATIONAL UK INVESTMENTS

Profit and Loss Account

For the year ended 31 December 2001

	Notes	2001 £,000	2000 £,000
Interest receivable	2	40,431	44,389
OPERATING PROFIT and PROFIT on ORDINARY ACTIVITIES BEFORE TAXATION	3	40,431	44,389
Tax on profit on ordinary activities	4	(12,129)	(13,318)
PROFIT on ORDINARY ACTIVITIES AFTER TAXATION	8	28,302	31,071
Profit and loss account brought forward		98,713	67,642
Profit and loss account carried forward		127,015	98,713

There are no recognised gains or losses in either the current or previous financial years other than the profit for the financial year and therefore no statement of total recognised gains and losses is required.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All transactions are derived from continuing operations.

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Balance Sheet

As at 31 December 2001

	Notes	2001 £,000	2000 £,000
CURRENT ASSETS			
Debtors	5	<u>788,512</u>	<u>713,448</u>
CREDITORS - amounts falling due within one year	6	<u>(55,285)</u>	<u>(8,523)</u>
NET ASSETS		<u>733,227</u>	<u>704,925</u>
CAPITAL and RESERVES			
Called up share capital	7	606,212	606,212
Profit and loss account		<u>127,015</u>	<u>98,713</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>733,227</u>	<u>704,925</u>

The financial statements on pages 5 to 8 were approved by the Board of Directors on : 29th May 2002.

Signed on behalf of the Board of Directors by N. Wilkes


Director

ABBEY NATIONAL UK INVESTMENTS

Notes to the Financial Statements for the year ended 31 December 2001

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) Foreign currency share capital is translated at the rate applicable on incorporation
- (3) The Company is a wholly owned subsidiary of Abbey National plc, a Company registered in Great Britain. Accordingly the Company is not required to produce a cash flow statement as prescribed in paragraph 5 (b) of Financial Reporting Standard No.1 (revised 1996), Cash Flow Statements.

2. Interest Receivable

	2001	2000
	£,000	£,000
Interest receivable from Group companies	40,431	44,389

3. Profit on Ordinary Activities before Taxation

Directors' emoluments and auditors' remuneration are borne by the Parent Company, Abbey National plc. No emoluments were paid to Directors by the Company during the year (2000 - nil) and it is not practical for the Parent Company to apportion Directors' emoluments.

The Company has no employees (2000 - nil). No management fee for administration services is charged by the immediate parent (2000 - nil).

4. Tax on Profit on Ordinary Activities

	2001	2000
	£,000	£,000
Group relief payable at 30% (2000: 30%)	-	(13,317)
Prior year group relief	-	(1)
UK Corporation tax payable at 30% (2000: 30%)	(6,792)	-
Amounts payable under Group payment arrangements at 30%	(5,337)	-
Total	(12,129)	(13,318)

5. Debtors : amounts falling due within one year

	2001	2000
	£,000	£,000
Amounts due from Group companies	787,200	711,363
Accrued interest on Group balances	1,312	2,085
Total	788,512	713,448

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Notes to the Financial Statements for the year ended 31 December 2001 (continued)

6. Creditors : amounts falling due within one year

	2001	2000
	£,000	£,000
Amounts due to Group companies	(43,156)	-
Corporation tax payable	(6,792)	(8,523)
Amounts payable under Group payment arrangements	(5,337)	-
Total	<u>(55,285)</u>	<u>(8,523)</u>

7. Called up Share Capital

	2001	2000
	£,000	£,000
Authorised: 6,000,000,000 Ordinary shares of 1 French franc each	627,035	627,035
Allotted, called up and fully paid : 5,800,755,657 Ordinary shares of 1 French franc each	<u>606,212</u>	<u>606,212</u>

8. Reconciliation of Movements in Shareholders' Funds

	2001	2000
	£,000	£,000
Retained profit for the year	28,302	31,071
Opening shareholders' funds	<u>704,925</u>	<u>673,854</u>
Closing shareholders' funds	<u>733,227</u>	<u>704,925</u>

9. Capital Commitments and Contingent Liabilities

There were no outstanding capital commitments or contingent liabilities at 31st December 2001 (2000 - nil).

10. Related Party Disclosures

There were no related party transactions during the year, 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.

11. Ultimate Parent and Controlling Party

The parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is Abbey National plc, the Company's immediate and ultimate parent and controlling party. Abbey National plc is incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of Abbey National plc may be obtained from Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.