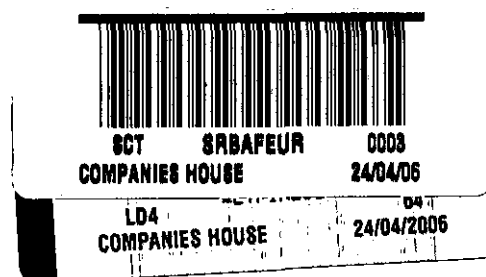


ABBAY NATIONAL FINANCIAL AND INVESTMENTS SERVICES PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

REGISTERED NO: SC159852



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Directors' Report

The Directors submit their Annual Report and the Audited Financial Statements for the year ended 31 December 2005.

Principal Activities

The principal activity of the company is to provide management services to companies within the Insurance & Asset Management Division of Abbey National plc.

The company is a wholly owned subsidiary of Abbey National plc.

The company has branches in Dublin and Douglas to provide services to its customers that are based in Ireland and Isle of Man. The Isle of Man branch was de-registered in December 2005.

The directors have considered the effects of financial risk factors on these financial statements. Refer to Note 1: Financial risk factors.

Results and Dividends

During the year to 31 December 2005 the company made a profit of £3,679,920 (2004: loss £19,077,017). No dividend is proposed (2004: Nil) leaving £3,679,920 (2004: loss £19,077,017) of retained profit to be transferred to reserves.

The Directors do not expect any significant change to the level of business for the foreseeable future and activities are continuing.

Fixed Assets

Changes in tangible fixed assets are disclosed at Note 8 to the accounts.

Payment of Suppliers

In the forthcoming year, the company will continue to be responsible for agreeing terms and conditions under which business is to be transacted and for making suppliers aware of these before business is contracted. It is policy to ensure payments are made in accordance with legal and contractual obligations.

For the year ended 31 December 2005, suppliers of goods and services were paid in an average of 18 days.

Directors

The Directors who served during the year were as follows:

C Ball	
L Boyle	Appointed 13 April 2005
K Luscombe	
D Wallace	Resigned 29 June 2005

Further information regarding Directors is disclosed at Note 6 to the accounts.

Directors' Report (continued)

Directors' Responsibilities Statement

The Directors are responsible for preparing their report and financial statements. The Directors have chosen to prepare accounts for the company in accordance with the International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the Presentation of Financial Statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all the applicable International Financial Reporting Standards. Directors are also required to:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Employment of Disabled Persons and Employee Involvement

It is the policy of the Abbey National Group to encourage applications from people with disabilities and to take all practical steps to assist the recruitment, retention and development of disabled persons.

The Abbey National Group continues its commitment to an active programme of employee communications using a wide variety of media. The aim is to ensure employees are fully informed of the performance of the Group.

Auditors

At the forthcoming Annual General Meeting of the Company it will be proposed that Deloitte & Touche LLP be re-appointed as auditors of the Company, in accordance with the resolution by Abbey National plc to appoint Deloitte & Touche LLP as auditors of Abbey National plc and its subsidiaries.

By order of the Board



Director

09 March 2006

Registered Office Address: Abbey National House, 287 St.Vincent Street, Glasgow G2 5NB.

Independent Auditors' Report

Independent Auditors' Report to the members of Abbey National Financial and Investment Services plc.

We have audited the financial statements of Abbey National Financial and Investment Services plc for the year ended 31 December 2005, which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 20. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you, 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 other information contained in the directors' report 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

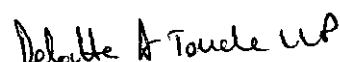
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with those IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- The Financial Statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow, United Kingdom

09 March 2006

Income Statement for the Year Ended 31 December 2005

Notes	2005 £000	2004 £000
2	REVENUE	179,870
	COST OF SALES	(179,103)
	GROSS PROFIT/(LOSS)	767
	IMPAIRMENT OF INVESTMENT IN SUBSIDIARY UNDERTAKING	(54)
4	PROFIT/(LOSS) FROM OPERATIONS	713
3	INVESTMENT INCOME	4,243
	PROFIT/(LOSS) BEFORE TAXATION	4,956
7	TAXATION	(1,276)
	NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	3,680
		(19,077)

All the activities of the Company are classed as continuing.

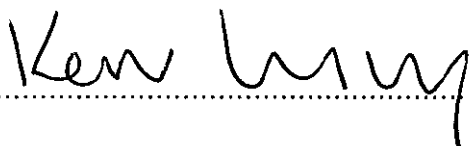
Balance Sheet as at 31 December 2005

Notes		2005 £000	2004 £000
	NON-CURRENT ASSETS		
8	PROPERTY, PLANT & EQUIPMENT	11,178	11,105
9	INTEREST IN SUBSIDIARY UNDERTAKING	196	250
		<u>11,374</u>	<u>11,355</u>
	CURRENT ASSETS		
10	TRADE AND OTHER RECEIVABLES	61,493	53,448
11	CASH AND CASH EQUIVALENTS	17,168	38,896
		<u>78,661</u>	<u>92,344</u>
	CURRENT LIABILITIES		
12	TRADE AND OTHER PAYABLES	(47,344)	(61,163)
14	PROVISIONS	(1,807)	(1,846)
		<u>29,510</u>	<u>29,335</u>
	NET CURRENT ASSETS		
		29,510	29,335
	NON-CURRENT LIABILITIES		
14	LONG-TERM PROVISIONS	(3,908)	(7,394)
	NET ASSETS	<u>36,976</u>	<u>33,296</u>
	Represented by:		
	CAPITAL AND RESERVES		
15	SHARE CAPITAL	5,000	5,000
	RETAINED EARNINGS	31,976	28,296
	SHAREHOLDERS' FUNDS ATTRIBUTABLE TO EQUITY INTERESTS	<u>36,976</u>	<u>33,296</u>

The Notes on Pages 8 to 17 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 09 March 2006 and were signed on its behalf by:

Signature:



K Luscombe
Director

Statement of Changes in Equity for the Year Ended 31 December 2005

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
Balance at 1 January 2004 – as previously reported	5,000	7,133	12,133
Adjustment on adoption of IFRS (note 19)	-	40,240	40,240
Balance at 1 January 2004 – restated	5,000	47,373	52,373
Arising in the period:			
Loss for the period	-	(19,077)	(19,077)
Balance as at 31 December 2004	5,000	28,296	33,296
Balance at 1 January 2005	5,000	28,296	33,296
Arising in the period:			
Profit for the period	-	3,680	3,680
Balance as at 31 December 2005	5,000	31,976	36,976

Further information as to the restatement of the 2004 balances is provided in Notes 19 and 20.

Cash Flow Statement for the Year Ended 31 December 2005

	2005 £000	2004 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) before taxation	4,956	(16,102)
Adjustments for:		
Depreciation on Property, Plant & Equipment	1,703	6,056
Impairment of capitalised software	-	22,489
Impairment provision	54	-
Interest received	(4,243)	(5,447)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	2,470	6,996
CHANGE IN OPERATING ASSETS AND LIABILITIES		
Net increase in Trade Receivables	(8,045)	(3,716)
Net decrease in Trade Payables	(10,327)	(13,969)
Property Provisions	(3,525)	1,689
Cash utilised by operations	(19,427)	(9,000)
Taxation Paid	(4,768)	(3,281)
NET CASH USED IN OPERATING ACTIVITIES	(24,195)	(12,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(1,776)	(7,985)
Interest received	4,243	5,447
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net decrease in cash and cash equivalents	(21,728)	(14,819)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	38,896	53,715
CASH AND EQUIVALENTS AT END OF YEAR	17,168	38,896

Notes to the Financial Statements as at 31 December 2005

1. Accounting Policies

Adoption of International Accounting Standards

The Financial Statements have for the first time, been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004. On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1).

Property, plant and equipment – The Company has adopted the carrying values of all items of property, plant and equipment on the date of transition under UK GAAP as their deemed cost, rather than either reverting to historical cost or carrying out a valuation at the date of transition as permitted by IFRS 1.

Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

The information presented in these financial statements relates to the Company only and not the consolidated position of the group headed by Abbey National Financial & Investment Services plc. The Company is exempt from the requirement to prepare consolidated financial statements as its ultimate UK parent company produces consolidated financial statements available for public use that comply with IFRS.

Property, Plant & Equipment

The cost of property, plant and equipment is their purchase cost, to the Abbey National Group, together with any incidental costs of acquisition.

Classes of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. The periods used are as follows:

Computer and Equipment	4 years
Motor Vehicles	4 years
Computer Software	3 to 5 years
Office Fixtures and Equipment	8 to 10 years

Fixed Asset Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

The carrying values of investments in subsidiary undertakings are written down by the amount of any impairment in the underlying net assets of the subsidiary and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to an investment in a subsidiary undertaking may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the investment's recoverable amount. The carrying amount of the investment will only be increased up to the amount that it would have been had the original impairment not been recognised.

1. Accounting Policies (continued)

Operating Leases

Annual rentals payable under operating leases are charged to the Income Statement as incurred for the period.

Vacant Leasehold Property

When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease. See Note 14.

Income Taxes, including deferred income taxes

Income tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward as recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Currently enacted tax rates are used in determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Turnover

Turnover represents, principally, fees receivable within the Insurance and Asset Management division of Abbey National plc. In addition, the company also receives fees in respect of management services provided to other parts of Abbey National plc and to customers out with the Abbey National Group.

Pensions

The Company participates in a group defined benefit scheme run by Abbey National plc though as it is not possible to identify the company's share of the assets and liabilities of the scheme, it is accounted for as a defined contribution scheme. The pension charge in the income statement is the contribution payable during the year.

Financial Risk Factors

The Company's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the central risk management function of the Abbey Group. Authority flows from the Abbey National plc Board of Directors to the Chief Executive Office and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management or oversight. Their authority is derived from the person they are intended to assist.

1. Accounting Policies (continued)

Market Risk

The Company does not operate internationally and hence is not exposed to foreign exchange risk arising from currency exposures.

Credit Risk

The Company has no significant concentrations of credit risk. Cash is placed with high-credit quality financial institutions.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Cash Flow and Fair Value Interest Rate Risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

2. Revenue

	2005 £000	2004 £000
Charges to fellow subsidiary companies	161,651	246,610
Charges to immediate parent company	18,219	18,116
Other charges	-	189
	<hr/> 179,870	<hr/> 264,915
Investment income (as per Note 3)	4,243	5,447
	<hr/> 184,113	<hr/> 270,362

3. Investment Income

	2005 £000	2004 £000
Interest Receivable from Group Companies	2,501	4,849
Other Interest Receivable	1,742	598
	<hr/> 4,243	<hr/> 5,447

4. Profit/(Loss) From Operations

The profit/(loss) from operations is stated after charging/(crediting):

	2005 £000	2004 £000
(Profit) on disposal of tangible fixed assets	-	(49)
Depreciation of tangible fixed assets	1,703	6,056
Rentals under operating leases		
• Hire of plant and machinery	6	123
• Land and Buildings	6,441	9,649
Auditors' Remuneration		
• Audit Services	9	9
• Non-Audit Services	-	-

5. Staff Costs

	2005 £000	2004 £000
Wages and salaries	55,759	83,048
Social Security costs	5,002	6,253
Pensions and post-retirement benefits (Note 16)	8,776	13,142
	<u>69,537</u>	<u>102,443</u>

The average monthly number of employees, including Executive Directors, during the year comprised:

	2005 Number	2004 Number
Sales Force	114	111
Administration	2,233	2,872
	<u>2,347</u>	<u>2,983</u>

6. Information regarding Directors

The remuneration of the Directors during the current and prior year was borne by another Group Company and no apportionment is practical given the status of Abbey National Financial & Investment Services plc as a service company.

7. Tax on Profit on Ordinary Activities

	2005 £000	2004 £000
CURRENT TAXATION		
UK Corporation Tax charge for the year	491	2,230
Group Relief for the year	-	1,408
Total Current Tax	491	3,638
DEFERRED TAX CHARGE/(CREDIT)		
• On timing differences on fixed assets	777	(471)
• On other timing differences	8	(192)
Tax on Profit on Ordinary Activities	1,276	2,975

The standard rate of tax for the year, based on the UK standard rate of Corporation Tax is 30%. The actual tax charge for the current and the previous year is reconciled below:

	2005 £000	2004 £000
Profit/(loss) on Ordinary Activities before Taxation	4,956	(16,102)
Tax on profit/(loss) on Ordinary Activities at standard rate	1,487	(4,831)

FACTORS AFFECTING CHARGE FOR THE YEAR:

Non-taxable income	(507)	-
Non-allowable expenditure	280	701
Non-deductible provision	16	7,105
Total actual amount of current tax	1,276	2,975

8. Property, Plant & Equipment

	Computer Equipment £000	Motor Vehicles £000	Computer Software £000	Office Fixtures and Equipment £000	Total £000
COST					
At 1 January 2005	34,587	74	39,482	22,497	96,640
Additions	-	-	-	1,776	1,776
At 31 December 2005	34,587	74	39,482	24,273	98,416
DEPRECIATION					
At 1 January 2005	34,102	55	39,482	11,896	85,535
Provided in the year	353	-	-	1,350	1,703
At 31 December 2005	34,455	55	39,482	13,246	87,238
NET BOOK VALUE					
At 31 December 2005	132	19	-	11,027	11,178
At 31 December 2004	485	19	-	10,601	11,105

9. Interest in Subsidiary Undertaking

	Investment in subsidiary undertakings £000
COST	
At 31 December 2004 and 31 December 2005	<u>250</u>
IMPAIRMENT PROVISIONS	
At 1 January 2005	-
Movement in provision during the year	<u>(54)</u>
At 31 December 2005	<u>(54)</u>
NET BOOK VALUE	
At 31 December 2004	<u>250</u>
At 31 December 2005	<u>196</u>

At the balance sheet date the company owned 100% of the issued ordinary share capital of Business Outsourcing Services Limited which is registered in Scotland.

The principal activity of that company is to provide third party administration services to clients.

Under S.228 of the Companies Act 1985 the company is exempt from producing group accounts. These financial statements present information about the company as an individual undertaking and not about its group. Please refer to Note 18 as regards availability of consolidated accounts.

The Investment in Business Outsourcing Services Limited is valued on the Balance Sheet at the lower of cost or net book value.

10. Trade and Other Receivables

	2005 £000	2004 £000
AMOUNTS DUE WITHIN ONE YEAR:		
Taxation and social security	4,312	35
Amounts due from fellow subsidiaries	55,077	48,493
Sundry Debtors	1,310	3,341
Deferred Tax Asset	794	1,579
	<u>61,493</u>	<u>53,448</u>

10. Trade and Other Receivables (continued)

Deferred Tax

Deferred Tax asset and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

A deferred tax asset or liability is recognised on temporary timing differences. The amounts are as follows:

	Deferred Tax Asset £000
At 1 January 2005	1,579
Profit and loss account charge	(785)
At 31 December 2005	<u>794</u>

The amounts provided for deferred taxation are as follows:

	Provided 2005 £000	Provided 2004 £000
Timing differences on fixed assets	802	1,579
Other timing differences	(8)	-
	<u>794</u>	<u>1,579</u>

There are no amounts unprovided.

11. Cash and Cash Equivalents

Included within the total is £16,332,289 held in accounts with Abbey National plc (2004: £38,895,821).

12. Trade and Other Payables

	2005 £000	2004 £000
Trade creditors	28	23
Amounts owed to fellow subsidiaries	202	2,150
Amounts owed to immediate parent company	26,719	36,202
Accruals and Deferred Income	20,395	22,788
	<u>47,344</u>	<u>61,163</u>

13. Commitments

- (a) Capital commitments at the end of the year for which no provision has been made:

	2005 £000	2004 £000
Contracted	Nil	Nil

- (b) At the end of the year, aggregate commitments under non-cancellable operating leases in respect of land and buildings were as follows:

	2005 £000	2004 £000
Operating leases which expire		
Within one year	142	243
In the second to fifth years inclusive	559	812
After more than five years	5,306	5,760
	<u>6,007</u>	<u>6,815</u>

14. Provisions

	Rental Costs £000
At January 2005	9,240
Additional provision in the year	1,411
Utilisation of provision	(2,023)
Reversal of provision	(2,913)
At 31 December 2005	<u>5,715</u>

The provision for rental costs is in respect of vacant properties. Current provisions total £1.807m (2004: £1,846m) and are expected to be utilised within one year. Provisions greater than one year total £3.908m (2004: £7,394m). The provisions are expected to be utilised within 15 years.

15. Share Capital

	2005 £000	2004 £000
Authorised:		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

16. Retirement Benefit Obligations

The Company is unable to identify its share of the underlying assets and liabilities of the various pension schemes in operation throughout the Abbey National Group and has, therefore, accounted for the contribution to the pension schemes as if they were defined contribution schemes. Details of the schemes and any associated deficit or surplus appear in the accounts of Abbey National plc, Scottish Mutual Assurance plc and Scottish Provident Ltd.

An amount of £8.8m was recognised as an expense for defined contribution plans in 2005 and £13.1m in 2004. The amount is included in staff costs in the Income Statement and are determined by the parent company.

17. Related Party Transactions

During the year, the company entered into the following transactions with related parties who are not members of the company:

Related Party	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2005	2004	2005	2004	2005	2004	2005	2004
	£000	£000	£000	£000	£000	£000	£000	£000
Immediate Parent Company	18,219	18,116	48,084	49,971	0	0	26,719	36,202
Other related parties	161,651	246,610	952	274	55,077	48,493	202	2,150

Abbey National plc provides numerous recharge services to Abbey National and Investment Services plc ("ANFIS") such as Computer and Property. The amounts owed to it are in respect of these charges. ANFIS plc in its role of business administration provider also provides services to Abbey National plc mainly in respect of staff costs for the performance of duties in respect of plc.

ANFIS plc also provides various administration services to other fellow subsidiaries of Abbey National plc and these are reflected within the income and amounts owed by related parties.

Amounts due from other group companies carry no fixed terms of repayment and are non-interest bearing. These balances are also unsecured.

18. Parent Company

The company's immediate parent is Abbey National plc which is incorporated and registered in England.

The company's ultimate parent undertaking and controlling party is Banco Santander Central Hispano, S.A., a company incorporated in Spain. Banco Santander Central Hispano, S.A. is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Abbey National plc is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member.

Copies of all sets of group accounts, which include the results of the Company, are available from Abbey Secretariat, Abbey National plc, Abbey National House, 2 Triton Square, Regent's Place, London, NW1 3AN.

19. Explanation of Transition to IFRS

Abbey National Financial and Investment Services plc in line with all entities in the European Union ("EU"), was required to adopt International Financial Reporting Standards ("IFRS") in preparing its financial statements for the year ended 31 December 2005.

Up to 31 December 2004, the Group prepared its financial statements in accordance with the UK Generally Accepted Accounting Principals ("UK GAAP").

Reconciliation of Shareholders' Funds under UK GAAP to Shareholder Equity under IFRS at 1 January 2004 and 31 December 2004.

	01.01.2004 £000	31.12.2004 £000
Shareholders' equity as previously reported under UK GAAP	12,133	16,380
Prior Year Restatement	-	(835)
Adjusted Shareholders Equity	12,133	15,545
Retrospective (Statutory) IFRS adjustments		
Software Capitalisation	22,489	-
Pensions	23,678	23,678
Deferred Taxation	(5,927)	(5,927)
Total Shareholders' Equity under IFRS	52,373	33,296

Explanation of material adjustments to shareholders' equity for 2004:

Software Capitalisation

IAS 38 "Intangible Assets" requires software costs to be capitalised and amortised rather than expensed immediately. The charge to the income statement reflects the impairment of amounts previously capitalised following the Banco Santander acquisition.

Pensions

IAS 19 "Employee Benefits" requires liabilities on pension schemes to be held within accounts of sponsoring employers. The credit to equity reflects the adjustment of amounts previously provided for under UK GAAP.

Deferred Taxation

This relates to deferred tax effect of the above pensions adjustment.

20. Prior Year Restatement

The 2004 Financial Statements have been restated by £0.835m due to the decision by Abbey National plc to write off depreciation within computer equipment to this value.