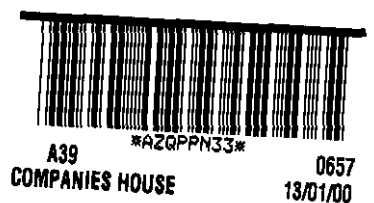


GRACECHURCH TRUSTEES LIMITED
(formerly DJT Independent Trustee Limited)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998

Registered No. 1740269



GRACECHURCH TRUSTEES LIMITED

Directors

D L G Hallowell (appointed 29th October 1998)
C P V Martin (appointed 29th October 1998)
J McIntosh (appointed 29th October 1998)
R V Whitefoord (Chairman, appointed 24th November 1998)

Secretary

Abbey National Secretariat Services Limited

Registered Office

Abbey House
Baker Street
LONDON
NW1 6XL

Registered Number

1740269

Registered Auditors

PricewaterhouseCoopers
Chartered Accountants
1 Embankment Place
London WC2N 6NN

GRACECHURCH TRUSTEES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31 December 1998.

1 . Principal activity and review of the year

The principal activity of the company during the year under review, and for the foreseeable future, was to act as an independent trustee to pension funds.

On the 1 January 1998 the company changed name from DJT Independent Trustee Limited to Rea Brothers Independent Trustee Limited. On the 29th October 1998 the company was acquired by Abbey National Independent Consulting Group Limited. On 8 July 1999 the company changed name from Rea Brothers Independent Trustee Limited to Gracechurch Trustees Limited.

The results of the company are included in the accounts on pages 5 to 8.

2 . Dividend

The directors recommend that no dividend be paid for the year under review.

3 . Directors and their interests

The directors who served during the year were:

D L G Hallowell (appointed 29th October 1998)
C P V Martin (appointed 29th October 1998)
J McIntosh (appointed 29th October 1998)
R V Whiteford (Chairman, appointed 24th November 1998)
G J Handley (appointed 1st February 1998, resigned 10 February 1999)
R J K Horn (resigned 29th October 1998)
M D Moverley-Smith (resigned 29th October 1998)
C E G Pain (resigned 29th October 1998)
A T F Hunter (resigned 29th October 1998)
S M L Farrar (resigned 9th January 1998)

None of the directors had a beneficial 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 disclosed in that company's annual report) were as follows:

Option Scheme - Ordinary Shares of 10p each	As at	Options exercised during the year	Options granted during the year or since appointment if later	As at
	31 December 1998			1 January 1998 or date of appointment if later
D L G Hallowell	5,776	-	-	5,776
C P V Martin	300	-	-	300
J McIntosh	3,818	-	-	3,818

Options granted to directors under the ultimate holding company's Sharesave Scheme are exercisable at prices between 232p and 1087p 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 254p and 1195p 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 1998 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 December 1998 the Trust held 784,663 ordinary shares (1997 - nil).

GRACECHURCH TRUSTEES LIMITED

REPORT OF THE DIRECTORS

3. Directors and their interests - continued

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 1998, the Trust held 268,936 ordinary shares (1997 - 129,780)

4. Year 2000 and EMU

The Company is aware of the significant compliance and operational risks faced in connection with Year 2000 and the strategic and operational risks posed by European and Monetary Union (EMU). These issues are being addressed by the ultimate parent undertaking, Abbey National plc, through the provision of management, technology and systems support and through a Group-wide steering committee. Further disclosures in respect of both Year 2000 and EMU are detailed in the consolidated accounts of the ultimate parent undertaking.

5. Post balance sheet events

There have been no material events since the balance sheet date.

6. Directors' responsibilities in respect of the preparation of the accounts

The directors are required by UK 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 of 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 1998. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

7. 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 Board of the parent company, Abbey National plc, announced on 10 November 1998 its intention to nominate Deloitte & Touche for appointment as Auditors of the Company and its subsidiaries. Deloitte & Touche have expressed their willingness to accept this appointment. Accordingly, PricewaterhouseCoopers will retire following approval of the 1998 accounts.

By Order of the Board



AUTHORISED SIGNATORY
FOR AND ON BEHALF OF
ABBNEY NATIONAL SECRETARIAT
SERVICES LIMITED

Secretary

Abbey National Secretariat Services Limited

21/12/1999

Registered Office:

Abbey House
Baker Street
LONDON
NW1 6XL

GRACECHURCH TRUSTEES LIMITED

REPORT OF THE AUDITORS

To the members of Gracechurch Trustees Limited

We have audited the financial statements on pages 5 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the Annual 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 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 at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
LONDON

23 December 1999

GRACECHURCH TRUSTEES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	31 December 1998 £	31 December 1997 £
Turnover - Continuing operations	3	40,236	82,133
Operating expenses		(84,680)	(44,610)
(Loss) / profit on ordinary activities before taxation		(44,444)	37,523
Taxation	6	-	-
Retained (loss) / profit for the year		(44,444)	37,523
Retained profit brought forward		44,444	6,921
Retained profit carried forward		-	44,444

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

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

	31 December 1998 £	31 December 1997 £
Reconciliation of movements in shareholders' funds for the year ended 31 December 1998		
(Loss)/profit for the financial year	(44,444)	37,523
Opening shareholders' funds	44,544	7,021
Closing shareholders' funds	100	44,544

GRACECHURCH TRUSTEES LIMITED**BALANCE SHEET****As at 31 December 1998**

	Notes	31 December 1998 £	31 December 1997 £
Current assets			
Debtors	7	100	44,520
Cash at bank		22,250	24
Creditors: Amounts falling due within one year	8	(22,250)	-
Net assets		<u>100</u>	<u>44,544</u>
Capital and reserves			
Called up share capital	9	100	100
Profit and loss account		-	44,444
Equity shareholders' funds		<u>100</u>	<u>44,544</u>

The accounts on pages 5 to 8 were approved by the board of directors on **21/12/99** and were signed on its behalf by:-

**Director**

The notes on pages 7 and 8 form part of these accounts.

GRACECHURCH TRUSTEES LIMITED

Notes to the accounts for the year ended 31 December 1998

1 . 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 allowed in paragraph 5(a) of Financial Reporting Standard 1 (FRS1 revised) 'Cash flow statements'.

2 . Principal accounting policies

a . Accounting Convention

The accounts are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the historical cost convention.

b . Taxation

Provision has been made for the United Kingdom taxation assessable on the results for the year as adjusted for disallowable and non-taxable items.

3 . Turnover

Turnover represents the invoiced value of services irrespective of the period in which the services are performed excluding Value Added Tax less any provisions for bad and doubtful debts.

4 . Directors' remuneration

The directors' emoluments and auditors remuneration have been borne by other group companies. The directors were employed and remunerated as directors or executives of other group companies in respect of their services to the group as a whole, and it is therefore considered that there is no appropriate basis to which they can apportion part of their remuneration for their services to this company.

5 . Employee information

The company had no employees, other than directors, during the year (1997:Nil).

6 . Tax on profit on ordinary activities

The nil tax charge in the financial statements reflects the tax loss for the period to which no value has been attributed.

7 . Debtors: amounts falling due within one year

	31 December 1998	31 December 1997
	£	£
Trade debtors	-	17,599
Other debtors	100	-
Amounts owed by immediate parent company	-	26,921
	<u>100</u>	<u>44,520</u>

8 . Creditors: amounts falling due within one year

	31 December 1998	31 December 1997
	£	£
Other creditors	<u>22,250</u>	<u>-</u>

Other creditors represents cash at bank due to Rea Brothers Retirement Planning Limited.

GRACECHURCH TRUSTEES LIMITED**Notes to the accounts for the year ended 31 December 1998**

9 . Called up share capital

	31 December	31 December
	1998	1997
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 . Post balance sheet events

There have been no material post balance sheet events.

11 . Related party transactions

The company has taken advantage of the exemptions under FRS8 not to disclose related party transactions with other group companies. There were no material transactions with any other related parties.

12 . Ultimate holding company

The company was a wholly owned subsidiary of Rea Brothers Retirement Planning Limited, registered in England and Wales, until 28 October 1998. The ultimate holding company and controlling party was Rea Brothers Group plc which was registered in England and Wales, and which was the holding company of the group of which the company was a member and for which group accounts were drawn up. Copies of the accounts of Rea Brothers Group plc are available from Alderman's House, Alderman's Walk, London EC2M 3XR.

From 29 October 1998 the company became a wholly owned subsidiary undertaking of Abbey National Independent Consulting Group Limited.

The ultimate holding company and controlling party is Abbey National plc which is registered in England and Wales, and which is the holding company of the group of which the company is a member and for which group accounts are drawn up. Copies of the accounts of Abbey National plc are available from Abbey House, Baker Street, London NW1 6XL.