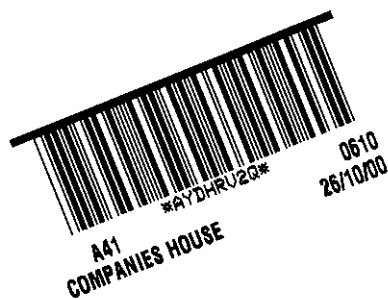


ABBAY NATIONAL HOMES LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999
Registered No. 2055102



ABBEY NATIONAL HOMES LIMITED

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 December 1999.

1. Principal activity and review of the year

The principal activity of the Company continues to be the development and sale of residential properties. The Directors envisage that the principal activity of the Company will not change in the foreseeable future.

2. Results and Dividend

The results for the year are set out on page 5. The profit of £23,508 (1998 - £68,955 loss) will be transferred to reserves. The Directors do not recommend the payment of a dividend (1998 - nil).

3. Directors and their interests

The Directors who served during the year were:

Mr B A Brown
Mr J King
Mr J G Price (appointed 31 October 1999)
Mr R W Fisher (resigned 31 October 1999)

Mr B A Brown ceased to be a Director of the Company effective from 3 April 2000
Mr J King ceased to be a Director of the Company effective from 1 August 2000
Mr J F Cormie was appointed a Director of the Company effective from 3 April 2000
Mr D L Garner was appointed a Director of the Company effective from 1 August 2000

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 for Mr King disclosed in that Company's annual report) were as follows:

Ordinary Shares 10p each

Directors	As at 1 January 1999 or at date of appointment if later.	As at 31 December 1999
Mr B A Brown	250	316
Mr J G Price	10,207	10,207

Option Schemes - Ordinary Shares 10p each

Directors	As at 1 January 1999 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 1999
Mr B A Brown	150	0	0	150
Mr J G Price	26,833	0	0	26,833

ABBEY NATIONAL HOMES LIMITED

Report of the Directors (continued)

Options granted to Directors under the ultimate holding company's Sharesave Scheme are exercisable at prices between 428p and 988p 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 590p and 1306p 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 1999 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 1999 the Trust held 1,580,429 ordinary shares (1998 - 784,806).

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 1999, the Employee Trust held 389,320 ordinary shares (1998 - 268,936).

4. Directors' Responsibility in respect of the Preparation of 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 1999. 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. Auditors

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

During the year PricewaterhouseCoopers resigned as auditors of the Company and the Directors resolved to appoint Deloitte & Touche as auditors of the Company in their place, in accordance with the resolution by Abbey National plc to appoint Deloitte & Touche as auditors of Abbey National plc and its subsidiaries.

ABBEY NATIONAL HOMES LIMITED

Report of the Directors (continued)


6. Year 2000 and Economic and Monetary Union

The Company is aware of the significant compliance and operational risks faced with Year 2000 and the strategic and operational risks posed by the Economic and Monetary Union. These issues were addressed by the ultimate parent undertaking, Abbey National plc whose plans were fully implemented by September 1999. The fully co-ordinated Group approach ensured that all the Group's business critical systems were unaffected by the Year 2000 issue, and continue to operate effectively. Nevertheless the Directors continue to monitor the potential risks and uncertainties surrounding the year 2000 issue.

The Group's preparations for the introduction of the Euro were completed in time for the opening of the financial markets on 4 January 1999. The Group continues to prepare for the possibility of the UK entering the EMU.

Further disclosures in respect of both Year 2000 and EMU, including details of the impact on business, risks and costs are detailed in the consolidated accounts of the ultimate parent undertaking.

By order of the Board


For and behalf of

Abbey National Secretariat Services Limited, Secretary

20 October 2000

Registered Office:
Abbey House
Baker Street
London
NW1 6XL

ABBEY NATIONAL HOMES LIMITED

Auditors' report to the members of ABBEY NATIONAL HOMES LIMITED

We have audited the financial statements on pages 5 to 12, which have been prepared under the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

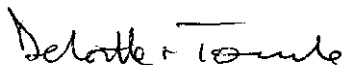
Basis of Opinion

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 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 1999, 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

20 October 2000

ABBEY NATIONAL HOMES LIMITED**Profit and Loss Account****For the year ended 31 December 1999**

	Notes	1999 £	1998 £
Turnover	2	196,000	784,300
Cost of sales	3	(124,633)	(664,354)
GROSS PROFIT		<u>71,367</u>	<u>119,946</u>
Other income	4	110,369	25,352
Other expenses	6	(26,171)	(189,931)
Provision for bad and doubtful debts	15	187,337	42,017
Provision for liabilities and charges	16	1,397	156,424
OPERATING PROFIT		<u>344,299</u>	<u>153,808</u>
Interest receivable	7	77,444	288,393
Interest payable	8	(387,892)	(589,622)
PROFIT/(LOSS) on ORDINARY ACTIVITIES BEFORE TAXATION	9	33,851	(147,421)
Taxation on profit/(loss) on ordinary activities	10	(10,343)	78,466
PROFIT/ (LOSS) on ORDINARY ACTIVITIES AFTER TAXATION	18	23,508	(68,955)
Profit and loss account b/f at 1 January		(35,436,282)	(35,367,327)
Profit and loss account c/f at 31 December		<u>(35,412,774)</u>	<u>(35,436,282)</u>

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

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.

All transactions are derived from continuing operations.

ABBEY NATIONAL HOMES LIMITED

Balance Sheet

As at 31 December 1999

	Notes	1999 £	1998 £
CURRENT ASSETS			
Stock	11	133,535	253,308
Debtors	12	3,111,010	6,260,725
Cash at bank		<u>3,538,934</u>	<u>685,729</u>
		6,783,479	7,199,762
CREDITORS - amounts falling due within one year			
	14	<u>(42,120,450)</u>	<u>(42,463,141)</u>
NET CURRENT LIABILITIES		(35,336,971)	(35,263,379)
PROVISIONS for LIABILITIES and CHARGES	16	(75,703)	(172,803)
		<u> </u>	<u> </u>
NET LIABILITIES		<u>(35,412,674)</u>	<u>(35,436,182)</u>
CAPITAL and RESERVES			
Called up share capital	17	100	100
Profit and loss account		<u>(35,412,774)</u>	<u>(35,436,282)</u>
EQUITY SHAREHOLDERS' FUNDS	18	<u>(35,412,674)</u>	<u>(35,436,182)</u>

The financial statements on pages 5 to 12 were approved by the Board of Directors on : 20 OCTOBER 2000

Signed on behalf of the Board of Directors



Director

D.L. GARNER

Notes to the Financial Statements for the year ended 31 December 1999

1. Accounting Policies

Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

- (1) Turnover and cost of sales are stated net of VAT.
- (2) Interest receivable is calculated on an accruals basis.
- (3) Interest payable is included in stock and work in progress, and written off as sales are made, over the life of the development.
- (4) Completed properties and properties purchased in part exchange are valued at the lower of cost and net realisable value as part of stock. Cost comprises land purchase costs, construction and associated expenditure and interest payable thereon. Net realisable value comprises the estimated proceeds from the sale of the properties, less selling costs and future costs including interest. Costs are written off as sales are made.
- (5) Provision is made for deferred taxation except where it is unlikely that such tax will become payable in the foreseeable future.
- (6) 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 No.1 (revised 1996), Cash Flow Statements.

2. Turnover

Turnover represents amounts received or receivable on the legal completion of sales of housing units in the United Kingdom.

3. Cost of sales

Cost of sales comprises building and maintenance costs.

4. Other Income

	1999	1998
	£	£
Other income	-	26
Increase in property value recoverable from customers	23,682	13,810
Write-off of aged creditor amounts	79,449	-
Outstanding rents recovered	7,238	11,516
	<u>110,369</u>	<u>25,352</u>

5. Directors' Emoluments

	1999	1998
	£	£
Directors emoluments	<u>-</u>	<u>52,874</u>

From 31 August 1998, all directors' remuneration are borne by the Parent Company, Abbey National Plc.

ABBEY NATIONAL HOMES LIMITED**Notes to the Financial Statements for the year ended 31 December 1999 (continued)****6. Other Expenses**

	1999	1998
	£	£
Marketing and selling expenses	-	38,085
Administration expenses payable to Group Companies	14,020	114,840
Other expenses	12,151	37,006
	<u>26,171</u>	<u>189,931</u>

7. Interest Receivable

	1999	1998
	£	£
Interest receivable from joint venture parties	-	261,782
Interest receivable from bank accounts	76,048	26,611
Other interest receivable	1,396	-
	<u>77,444</u>	<u>288,393</u>

8. Interest Payable

	1999	1998
	£	£
On loans repayable within five years, not by instalments, to Group Companies	<u>387,892</u>	<u>589,622</u>

In addition, interest capitalised to stock and work-in-progress amounted to £5,132 (1998: £4,979). This is written off to cost of sales as properties are sold.

9. Profit/(Loss) on Ordinary Activities before Taxation

The Company had one employee as at 31 December 1999. The immediate parent charges a management fee for administration services and recharges staff costs to the Company as and when incurred.

Profit/(Loss) on ordinary activities before taxation is stated after charging:

	1999	1998
	£	£
Depreciation	-	384
Auditors' remuneration	-	18,000
Staff costs	14,020	114,840
	<u>14,020</u>	<u>133,224</u>

Auditors remuneration of £18,000 charged against the profit and loss account in 1998 was written back to the profit and loss account in 1999 as no cost was incurred by the Company.

ABBEY NATIONAL HOMES LIMITED

Notes to the Financial Statements for the year ended 31 December 1999 (continued)

10. Taxation on Profit/(Loss) on Ordinary Activities

	1999	1998
	£	£
Group relief receivable at 30.25% (1998:31%)	76,574	96,600
Deferred taxation - current year (see note 13)	(80,622)	(18,134)
Deferred taxation - prior year (see note 13)	(6,295)	-
Total	<u>(10,343)</u>	<u>78,466</u>

11. Stock

	1999	1998
	£	£
Work in progress	141,035	260,808
Provisions (see note 16)	(7,500)	(7,500)
	<u>133,535</u>	<u>253,308</u>

Included in the stock balance is capitalised interest of £5,132 (1998: £3,202).

12. Debtors : amounts falling due within one year

	1999	1998
	£	£
Trade debtors	200	84,792
Other debtors	2,850	2,750
Amounts recoverable on contracts	-	2,503,336
Equity participation mortgages (see note below)	339,906	643,765
Deferred taxation (note 13)	75,369	162,286
Group relief receivable	76,574	-
VAT recoverable	2,673	1,524
Prepayments and accrued income	2,488	3,900
Total	<u>500,060</u>	<u>3,402,353</u>

Other debtors is shown net of provisions of £31,671 (1998: £0), see note 15

Debtors : amounts falling due after more than one year

	1999	1998
	£	£
Sundry debtors	-	39,736
Equity participation mortgages	2,610,950	2,818,636
Total	<u>2,610,950</u>	<u>2,858,372</u>

Equity participation mortgages are interest-free loans, made as incentives on certain property sales, repayable within a specified period. Mortgages on sheltered or non-sheltered schemes are generally secured by a first or second charge on the property respectively. Equity participation mortgages are shown net of provisions of £182,282 (1998: £368,149), see note 15.

ABBEY NATIONAL HOMES LIMITED

Notes to the Financial Statements for the year ended 31 December 1999 (continued)

	1999	1998
	£	£
Debtors: amounts falling due within one year	500,060	3,402,353
Debtors: amounts falling due after more than one year	2,610,950	2,858,372
Total	3,111,010	6,260,725

13. Deferred Taxation

The amount of the deferred tax asset in the accounts is:

	1999	1998
	£	£
As at 1 January	162,286	180,420
Profit and loss account charge - current year	(80,622)	(18,134)
Profit and loss account charge - prior year	(6,295)	-
As at 31 December	75,369	162,286

The amounts of deferred tax provided and unprovided in the accounts are as follows:

	Provided 1999 £	Provided 1998 £	Not provided 1999 £	Not provided 1998 £
Timing differences between capital allowances and depreciation	-	-	3,646	4,862
Provisions where relief has not been claimed against corporation tax	75,369	162,286	-	-
Total	75,369	162,286	3,646	4,862

14. Creditors: amounts falling due within one year

	1999	1998
	£	£
Trade creditors	17,747	270
Amounts due to Group companies	42,102,703	42,315,460
Group relief payable	-	29,612
Accruals	-	117,799
Total	42,120,450	42,463,141

15. Provisions for Bad and Doubtful Debts

	1999	1998
	£	£
As at 1 January:	(368,149)	(450,200)
Transfer to profit and loss:	187,337	42,017
Provisions written back/Utilisation	(1,470)	40,034
Transfer from Creditors: Amounts falling due within one year:	(31,671)	-
As at 31 December:	<u>(213,953)</u>	<u>(368,149)</u>

16. Provisions for Liabilities and Charges

	1999	1998
	£	£
As at 1 January:	(180,303)	(341,011)
Transfer to profit and loss:	1,397	156,424
Utilisation:	95,703	4,284
As at 31 December:	<u>(83,203)</u>	<u>(180,303)</u>

Included in the total of £82,303 is a provision of £7,500 (1998 - £7,500) relating to work in progress (see note 11). The remainder of the provision relates to legal costs and other expenses likely to be incurred which do not specifically relate to work in progress.

17. Share Capital

	1999	1998
	£	£
Authorised: 100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid : 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

18. Reconciliation of Movements in Shareholders' Funds

	1999	1998
	£	£
Retained profit/(loss) for the year	23,508	(68,955)
Opening shareholders' funds	<u>(35,436,182)</u>	<u>(35,367,227)</u>
Closing shareholders' funds	<u>(35,412,674)</u>	<u>(35,436,182)</u>

19. Capital Commitments and Contingent Liabilities

There were no outstanding capital commitments or contingent liabilities at 31st December 1999 (1998: nil).

20. Related Party Disclosures

There were no related party transactions during the period, 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.

21. Ultimate Parent and Controlling Party

The Company's ultimate parent and controlling party is Abbey National plc, a company registered in England and Wales. Copies of the consolidated financial statements of Abbey National plc may be obtained from Abbey House, Baker Street, London, NW1 6XL.

22. Parental Support

The Company's liabilities exceed its assets and accordingly it is dependent upon the continuing support of its parent company. The Directors have obtained an undertaking from its ultimate holding company that such support will be provided for a period of at least 12 months from the date of approval of these accounts.