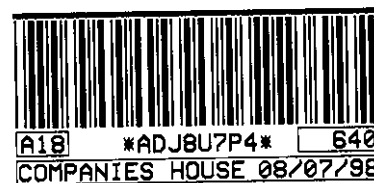


ABBAY NATIONAL PROPERTY INVESTMENTS

REPORT AND ACCOUNTS

For the year ended 31 December 1997

Registered in England and Wales No. 2412672



ABBEY NATIONAL PROPERTY INVESTMENTS

DIRECTORS' REPORT

The directors present their report and accounts of Abbey National Property Investments for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Since incorporation the company has acted as an investment company. The directors foresee no change in its activities.

RESULTS FOR THE YEAR

Profit for the year on ordinary activities after taxation amounted to £9,302 (1996: £37,590) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

I Harley Resigned 1 March 1998
I K Treacy
R W Fisher

Mr M A Pain was appointed a director of the company on 1 March 1998.

In accordance with the Articles of Association of the company, the directors are not required to apply for re-election.

The directors did not have any interest in the shares and debentures of the company or any other subsidiaries of Abbey National plc.

I Harley was also a director of Abbey National plc, the ultimate parent undertaking, at 31 December 1997 and his interests in the shares and share options of that company are disclosed in the accounts of that company.

The interests of I K Treacy and R W Fisher in the ordinary shares of 10p each of Abbey National plc are shown below:

	Shares at 1 Jan 1997	At 31 Dec 1997	Options at 1 Jan 1997	Granted	Exercised	At 31 Dec 1997
I K Treacy	9,078	9,078	117,546	-	-	117,546
R W Fisher	11,257	11,607	72,140	7,223	2,353	77,010

ABBEY NATIONAL PROPERTY INVESTMENTS

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Options granted to directors under the ultimate holding company's Sharesave Schemes are exercisable at prices between 149p to 668p 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 Scheme are exercisable at prices between 254p to 722p per share after three or five years and within ten years from the date of the grant.

Shares awarded under the Abbey National Long Term Incentive Plan (the 'Plan') are held by the Abbey National Employee Trust (the 'Trust'). Whilst the Plan is currently restricted to the members of the Abbey National plc Executive Committee, 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 1997, the Trust held 129,780 ordinary shares (1996: nil).

The directors did not have any interest in the shares and debentures of the company or other subsidiaries of Abbey National plc.

AUDITORS

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

Coopers & Lybrand, the company's auditors, are therefore deemed to be reappointed as the company's auditors for each succeeding financial year, so long as such election remains in force.

ABBEY NATIONAL PROPERTY INVESTMENTS

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Abbey National Property Investments are required by UK company law to prepare accounts which 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 of the company for the year. They are also responsible for ensuring that proper and adequate accounting records have been maintained, and that reasonable procedures have been followed for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities. In respect of the accounts, the directors are required to:

- ensure that appropriate accounting policies, which follow generally accepted accounting practice, have been applied consistently;
- ensure that reasonable and prudent judgements and estimates have been used in the preparation of the accounts;
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the group will continue in business; and
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the accounts.

By Order of the Board



For and on behalf of
Abbey National Secretariat Services Limited
Company Secretary

Registered Office: Abbey House
 Baker Street
 London
 NW1 6XL
 England

17 June 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF ABBEY NATIONAL PROPERTY INVESTMENTS

We have audited the accounts on pages 5 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

23 June 1998

ABBEY NATIONAL PROPERTY INVESTMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Investment income and gains	3	12,445	39,993
Administrative expenses		(307)	(305)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	12,138	39,688
Taxation	5	(2,836)	(2,098)
		<hr/>	<hr/>
Profit for the financial year	10	<u>9,302</u>	<u>37,590</u>

All activities of the company are regarded as continuing. The company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The company's results as reported are on an historical cost basis. Accordingly, no separate statement of historical cost profits and losses has been presented.

ABBEY NATIONAL PROPERTY INVESTMENTS

BALANCE SHEET

as at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	6	<u>135,776</u>	<u>135,776</u>
Current assets			
Amounts due from fellow subsidiary undertakings		59,895	56,883
Cash at bank		<u>20,132</u>	<u>13,265</u>
		80,027	70,148
Creditors: amounts falling due within one year	7	<u>(2,421)</u>	<u>(1,844)</u>
Net current assets		<u>77,606</u>	<u>68,304</u>
Total assets less current liabilities		<u>213,382</u>	<u>205,080</u>
Capital and reserves			
Called up share capital	9	180,000	180,000
Profit and loss account	10	<u>33,382</u>	<u>24,080</u>
Equity shareholders' funds	11	<u>213,382</u>	<u>204,080</u>

The accounts on pages 5 to 10 were approved by the Board of Directors on 17 June 1998 and were signed on its behalf by:

H.A.P. Director

ABBEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The company prepares its accounts under the historical cost convention and in accordance with applicable accounting standards.

Investment income

Investment income is recognised upon receipt.

Fixed asset investments

Listed investments are shown at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred taxation is provided only where it is probable that a taxation asset or liability will arise. Provision is made at rates expected to be applicable when the assets or liabilities crystallise.

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. INVESTMENT INCOME AND GAINS

	1997 £	1996 £
Income and gains from listed investments	8,585	36,440
Interest income from group undertakings	<u>3,860</u>	<u>3,553</u>
	<u>12,445</u>	<u>39,993</u>

ABBEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

No emoluments were paid to the directors by the company during the year and no apportionment of directors' remuneration has been made by the ultimate parent undertaking to the company (1996: nil). However, I Harley received emoluments in respect of his services as a director of Abbey National plc, details of which can be found in the accounts of Abbey National plc.

The auditors' remuneration has been borne by the immediate parent undertaking, Abbey National Investments Holdings Limited.

The company had no directly employed staff during the period (1996: nil).

The company paid a management charge of £307 (1996: £305) to a fellow subsidiary undertaking during the year.

5. TAXATION

	1997 £	1996 £
Group relief at 31.5% (1996: 33%)	1,119	848
Tax on franked investment income	<u>1,717</u>	<u>1,250</u>
	<u>2,836</u>	<u>2,098</u>

6. INVESTMENTS

Investments listed on a recognised stock exchange:

	£
Cost	
As at 1 January 1997	135,776
Additions	-
Disposals	<u>-</u>
As at 31 December 1997	<u>135,776</u>

The market value of the listed investments at 31 December 1997 was £204,384 (1996: £173,062).

ABBEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

7. CREDITORS

Amounts falling due within one year:

	1997 £	1996 £
Group relief due to group undertakings	1,115	844
Amounts due to group undertakings	<u>1,306</u>	<u>1,000</u>
	<u>2,421</u>	<u>1,844</u>

8. SIGNIFICANT SHAREHOLDINGS

Investments where the aggregate amount of the shareholding in the undertaking exceeds 20% of the total assets of the company as stated on the balance sheet are:

Name	Country of incorporation or registration	Class of capital	% of class held
Great Portland Estates plc	England	Ordinary	< 1

9. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
180,000 ordinary shares of £1 each	<u>180,000</u>	<u>180,000</u>
Allotted, called up and fully paid		
180,000 ordinary shares of £1 each	<u>180,000</u>	<u>180,000</u>

10. PROFIT AND LOSS ACCOUNT

	£
As at 1 January 1997	24,080
Retained profit for the year	<u>9,302</u>
As at 31 December 1997	<u>33,382</u>

ABBEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Shareholders' funds as at 1 January	204,080	166,490
Profit for the financial year	9,302	37,590
	<hr/>	<hr/>
Shareholders' funds as at 31 December	<u>213,382</u>	<u>204,080</u>

12. PARENT UNDERTAKINGS

The company's immediate parent undertaking is Abbey National Investments Holdings Limited, which is registered in England and Wales. According to the register kept by the company, Abbey National Investments Holdings Limited has a 100% interest in the equity capital of Abbey National Property Investments at 31 December 1997.

The company's ultimate parent undertaking and controlling party is Abbey National plc, which is registered in England and Wales. Abbey National plc has a 100% interest in the equity capital of Abbey National Investments Holdings Limited according to the register kept by the latter company at 31 December 1997.

Consolidated accounts of Abbey National plc and the accounts of Abbey National Investments Holdings Limited are available from Abbey House, Baker Street, London, NW1 6XL.