

ABBHEY NATIONAL PROPERTY INVESTMENTS

REPORT AND ACCOUNTS

For the Year Ended 31 December 2000

Registered in England and Wales No. 2412672



ABBEY NATIONAL PROPERTY INVESTMENTS

DIRECTORS' REPORT

The Directors of Abbey National Property Investments (the 'Company') present their report and accounts for the year ended 31 December 2000.

BUSINESS REVIEW

The Principal activity of the Company is to act as an investment company. The directors foresee no change in its activities.

RESULTS AND DIVIDENDS

Profit for the year on ordinary activities after taxation amounted to £ 696,448 (1999: loss of £80,839) and has been taken to reserves.

The Directors do not recommend the payment of a dividend (1999: nil).

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

M A Pain
I K Treacy
N Wilkes

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

None of the directors have any interests in the shares and debentures of the company or any subsidiaries of Abbey National plc, the ultimate parent undertaking.

I K Treacy and M A Pain were also directors of Abbey National plc at 31 December 2000 and their interests in the shares and share options of that company are disclosed in the accounts of that company.

The interests of N Wilkes in the ordinary shares of 10p each of Abbey National plc are shown below:

	Shares at 1 Jan 2000 or date of appointment if later	At 31 Dec 2000	Options at 1 Jan 2000 or date of appointment if later	Granted	Exercised	At 31 Dec 2000
N Wilkes	13,308	13,370	22,550	14,201	349	36,402

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes are exercisable at prices between 428p and 607p 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 the Employee Share Option Scheme are exercisable at prices between 590p and 1306p per share after three years or five years and before ten years from the date of the grant.

ABBEY NATIONAL PROPERTY INVESTMENTS

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Shares in respect of Executive Share Options granted in 2000 are held by the Abbey National ESOP Trust (the "ESOP Trust"). Whilst the directors' interests in the shares (if any) are included on page 1, each of the directors of the Company is a potential beneficiary of the ESOP Trust and is therefore deemed to have an interest in the shares held by the ESOP Trust. At 31 December 2000 the ESOP Trust held 4,323,411 Ordinary Shares (1999: 1,689,352).

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 2000, the Employee Trust held 604,362 Ordinary Shares (1999: 389,320).

AUDITORS

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

Deloitte & Touche, the Company's auditors, are therefore deemed to be re-appointed as the Company's auditors for each succeeding financial year, so long as such election remains in force.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements 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 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 financial statements for the year ended 31 December 2000. 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.

By Order of the Board



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

Dated 1 March 2001

Registered office:

Abbey House
Baker Street
London
NW1 6XL
England

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

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

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

12 March 2001

ABBEY NATIONAL PROPERTY INVESTMENTS

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 2000

	Notes	2000 £	1999 £
Investment income	3	580,196	7,921
Administrative expenses		<u>(5,290)</u>	<u>(5,721)</u>
Operating profit		574,906	2,200
Interest receivable	4	493,183	165,931
Interest payable		<u>(86,747)</u>	<u>(286,513)</u>
Profit /(loss) on ordinary activities before taxation	5	981,342	(118,382)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	<u>(284,894)</u>	<u>37,543</u>
Profit /(loss) for the financial year		<u><u>696,448</u></u>	<u><u>(80,839)</u></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 for either the current or preceding year and therefore no separate statement of total recognised gains and losses has been presented.

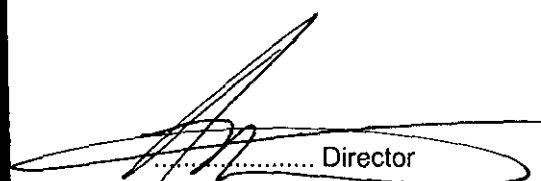
The Company's results as reported are on an historical cost basis. Accordingly, no separate statement of historical cost profits and losses has been presented.

ABBEY NATIONAL PROPERTY INVESTMENTS

BALANCE SHEET as at 31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Equity investments	7	120,135	120,135
Investment in property	8	<u>92,789,720</u>	<u>52,946,390</u>
		92,909,855	53,066,525
Current assets			
Debtors	9	1,590,260	5,418,492
Cash at bank		<u>6,704</u>	<u>24,690</u>
		1,596,964	5,443,182
Creditors: amounts falling due within one year	10	<u>(3,672,428)</u>	<u>(3,371,764)</u>
Net current (liabilities)/assets		<u>(2,075,464)</u>	<u>2,071,418</u>
Total assets less current liabilities		<u>90,834,391</u>	<u>55,137,943</u>
Capital and reserves			
Called up share capital	11	90,180,000	55,180,000
Profit and loss account	12	<u>654,391</u>	<u>(42,057)</u>
Equity shareholders' funds	13	<u>90,834,391</u>	<u>55,137,943</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors on 1 March 2001 and were signed on its behalf by: N Wilkes (Director)

 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 on a receivable basis.

Investment in Property

Investment in property is shown at cost less provision for any impairment in value.

Equity investments

Equity investments are shown at cost less provision for any impairment 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

	2000 £	1999 £
Income from listed investments	6,883	7,154
Profit on sale of equity shares	-	767
Profit on sale of properties	573,313	-
	<u>580,196</u>	<u>7,921</u>

ABBNEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

4. INTEREST RECEIVABLE

	2000 £	1999 £
Interest receivable from parent undertaking	492,972	164,714
Other interest receivable	211	1,217
	<u>493,183</u>	<u>165,931</u>

5. 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 (1999: nil). However, M A Pain and I K Treacy received emoluments in respect of their services as a director of Abbey National plc, details of which can be found in the accounts of Abbey National plc.

Profit on ordinary activities before tax is stated after charging:-

	2000 £	1999 £
Auditors' remuneration	<u>5,290</u>	<u>5,176</u>

The Company had no directly employed staff during the period (1999: Nil).

The Company paid a management charge of £nil (1999: £296) to a fellow subsidiary undertaking during the year.

6. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2000 £	1999 £
Group relief payable at 30% (1999: 30.25%)	284,894	(38,207)
Tax on investment income	-	158
Tax on franked investment income	-	506
	<u>284,894</u>	<u>(37,543)</u>

7. INVESTMENTS

Investments listed on a recognised stock exchange:

Cost	
At 1 January 2000 and 31 December 2000	<u>120,135</u>

The market value of the listed investments at 31 December 2000 was £205,587 (1999: £143,893).

ABBNEY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

8. INVESTMENT IN PROPERTY

	2000 £	1999 £
Cost		
At 1 January 2000	52,946,390	-
Additions in year	40,751,865	52,946,390
Disposals in year	(908,535)	-
	<u>92,789,720</u>	<u>52,946,390</u>
Cost and net book value at 31 December 2000		

The market value of the property at 31 December 2000 was estimated at £97,542,000.

9. DEBTORS

	2000 £	1999 £
Amounts due from group undertakings	<u>1,590,260</u>	<u>5,418,492</u>

10. CREDITORS

	2000 £	1999 £
Amounts due to group undertakings	283,195	8,514
Sundry creditors	<u>3,389,233</u>	<u>3,363,250</u>
	<u>3,672,428</u>	<u>3,371,764</u>

11. SHARE CAPITAL

	2000 £	1999 £
Authorised:		
350,180,000 ordinary shares of £1 each	<u>350,180,000</u>	<u>350,180,000</u>
Allotted, called up and fully paid:		
90,180,000 ordinary shares of £1 each	<u>90,180,000</u>	<u>55,180,000</u>

During the year 35,000,000 ordinary shares of £1 each were allotted to Abbey National Plc for £35,000,000 in cash. A further 18,000,000 ordinary shares of £1 each were allotted to Abbey National Plc for £18,000,000 in cash in January 2001.

ABBAY NATIONAL PROPERTY INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

12. PROFIT AND LOSS ACCOUNT

	£
As at 1 January 2000	(42,057)
Retained profit for the year	<u>696,448</u>
As at 31 December 2000	<u>654,391</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2000 £	1999 £
Shareholders' funds at 1 January	55,137,943	218,782
Issue of new share capital during the year	35,000,000	55,000,000
Profit for the financial year	<u>696,448</u>	<u>(80,839)</u>
Shareholders' funds at 31 December	<u>90,834,391</u>	<u>55,137,943</u>

14. ULTIMATE PARENT UNDERTAKINGS

The Company's parent undertaking and controlling party is Abbey National plc, which is registered in England and Wales. According to the register kept by the company, Abbey National plc has a 100% interest in the equity capital of Abbey National Property Investments at 31 December 2000.

The accounts of the Company are consolidated into the group accounts of the parent company. Copies of these accounts may be obtained from their registered office, Abbey House, Baker street, London, NW16XL.