

ABBAY NATIONAL JUNE LEASING (1) LIMITED

REPORT AND ACCOUNTS
For the year ended 30 June 1999

REGISTERED IN ENGLAND AND WALES NO. 2426011



ABBAY NATIONAL JUNE LEASING (1) LIMITED

DIRECTORS' REPORT

The directors of Abbey National June Leasing (1) Limited (the 'company') present their report and accounts for the year ended 30 June 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the leasing of commercial properties, commercial vehicles, plant and equipment, and is likely to remain so for the foreseeable future.

RESULTS

The profit for the year on ordinary activities after taxation amounted to £2,077,779 (1998: £3,277,510).

The company paid an interim dividend of £Nil (1998: £8,181,000) and the directors propose the payment of a final dividend for the year of £2,368,000 (1998: £4,013,000).

£290,221 (1998: £8,916,490) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

R Garratt	Chairman
S M Julian	
A Merrick	
S A E Edwards	Appointed 18 December 1998
D G Jones	Chairman; resigned 10 December 1998
G M Batchelor	Resigned 18 December 1998

On 10 May 1999 G M Batchelor was appointed as S A E Edwards alternate director.

The beneficial interests of the directors holding office at 30 June 1999, and their immediate families in the ordinary shares of 10p each in Abbey National plc are shown below.

	Shares at 1 July 1998*	At 30 June 1999	Options at 1 July 1998*	Granted	Exercised	At 30 June 1999
R Garratt	10,743	14,424	48,683	10,911	-	59,594
S M Julian	20,714	20,794	53,855	907	-	54,762
A Merrick	6,534	8,204	6,196	9,626	-	15,822
S A E Edwards	1,857	2,145	41,958	7,580	21,353	28,185
G M Batchelor	16,751	19,635	78,525	9,954	-	88,479

* or at the date of appointment, if later.

ABBEY NATIONAL JUNE LEASING (1) LIMITED

DIRECTORS' REPORT (continued)

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes 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 are exercisable at prices between 254p and 1306p per share after three years or five years and before ten years from the date of the grant. Options granted under the Employee Share Option Scheme are exercisable at prices of 590p and 1195p after three years or five years, and within ten years from the date of the grant.

Shares in respect of Executive Share Options granted in 1998 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 30 June 1999 the ESOP Trust held 1,535,964 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 30 June 1999, the Employee Trust held 389,320 ordinary shares (1998: 268,936).

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

PAYMENT POLICY

Abbey National deals with a large number of suppliers operating in a diverse range of industries and accordingly does not operate a single payment policy in respect of all classes of suppliers. Each individual operating division is responsible for agreeing terms and conditions under which business is to be transacted and for making the supplier aware of these before business is entered into. It is company policy to ensure payments are made in accordance with the terms and conditions agreed except where the supplier fails to comply with those terms and conditions.

The company's practice on payment of creditors has been quantified under the terms of the Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1998. The number of days' suppliers invoices which are included in Other Creditors at 30 June 1999 is 29 (1998: 34).

YEAR 2000 AND ECONOMIC AND MONETARY UNION

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

Further disclosures in respect of both Year 2000 and EMU, including details of the impact on businesses, risks and uncertainties, general plans to address these issues and estimated costs of these plans are detailed in the consolidated accounts of both the parent and ultimate parent undertaking.

ABBEY NATIONAL JUNE LEASING (1) LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

On 17 June 1999 PriceWaterhouse Coopers resigned as auditors to the company following a decision to change auditors made by the parent company, Abbey National plc. Deloitte & Touche were appointed by the board to fill the casual vacancy arising therefrom.

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

Deloitte & Touche, 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.

DIRECTORS' RESPONSIBILITIES

The directors of the company 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 company's profit 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 company 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 Ltd.
Company Secretary**

AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL JUNE LEASING (1) LIMITED

We have audited the financial statements on pages 5 to 11 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. 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 at 30 June 1999 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

22 December 1999

ABBEY NATIONAL JUNE LEASING (1) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 1999

	Notes	1999 £	1998 £
Turnover	3	<u>24,932,838</u>	<u>35,676,538</u>
Gross Profit		24,932,838	35,676,538
Administrative expenses		(188,070)	(169,432)
Interest payable	4	<u>(22,379,955)</u>	<u>(28,979,669)</u>
Profit on ordinary activities before taxation	5	2,364,813	6,527,437
Taxation	6	<u>(287,034)</u>	<u>(3,249,927)</u>
Profit for the year after taxation		2,077,779	3,277,510
Dividends	7	<u>(2,368,000)</u>	<u>(12,194,000)</u>
Retained loss for the year	12	<u>(290,221)</u>	<u>(8,916,490)</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 statement of historical cost profits and losses has been presented.

ABBNEY NATIONAL JUNE LEASING (1) LIMITED

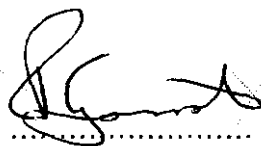
BALANCE SHEET

At 30 June 1999

	Notes	1999 £	1998 £
CURRENT ASSETS			
Debtors			
- amounts falling due after one year			
Net investment in finance leases		420,512,300	406,219,223
- amounts falling due within one year	8	<u>24,877,022</u>	<u>11,867,791</u>
		445,389,322	418,087,014
CREDITORS			
- amounts falling due within one year	9	<u>(350,294,556)</u>	<u>(336,612,542)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		95,094,766	81,474,472
PROVISION FOR LIABILITIES AND CHARGES	10	<u>(94,676,373)</u>	<u>(80,765,858)</u>
		<u>418,393</u>	<u>708,614</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	<u>418,391</u>	<u>708,612</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>418,393</u>	<u>708,614</u>

The notes on pages 7 to 11 form part of these accounts.

The accounts on pages 5 to 11 were approved
by the Board of Directors on 17.12.99
and were signed on its behalf by:



..... Director

R. SARRATT

ABBAY NATIONAL JUNE LEASING (1) LIMITED

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.

Net investment in finance leases

Net investment in finance leases is included in debtors and represents total minimum lease payments less gross earnings allocated to future periods and non-refundable rents received in advance.

Deferred taxation

Deferred taxation is recognised only where it is probable that an asset or liability will arise. Recognition is made at rates expected to be applicable when the asset or liability crystallises.

Income from finance leases

Income from finance leases is credited to the profit and loss account using the actuarial after tax method to give a constant periodic rate of return on the net cash investment.

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. TURNOVER

Turnover, stated net of VAT and other sales taxes, comprises the following:

	1999 £	1998 £
Income from finance leases	31,781,109	32,947,611
Rental rebate - interest variation	(6,991,473)	(325,849)
Fees payable	(42,811)	(114,603)
Fees receivable	18,461	114,603
Profit from disposal leased assets	5,272	2,746,126
Other rentals receivable	<u>162,280</u>	<u>308,650</u>
	<u>24,932,838</u>	<u>35,676,538</u>

ABBEY NATIONAL JUNE LEASING (1) LIMITED

NOTES TO THE ACCOUNTS (continued)

4. INTEREST PAYABLE

	1999 £	1998 £
In respect of amounts due to the parent undertaking on loans repayable on demand	<u>22,379,955</u>	<u>28,979,669</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Auditors' remuneration	<u>5,960</u>	<u>8,500</u>

During the year the directors of the company were employed by the ultimate parent undertaking, Abbey National plc. No apportionment of directors' remuneration had been made by the parent undertaking to the company (1998: nil).

The company had no directly employed staff during the year (1998: nil).

A management charge of £ 175,000 (1998: £150,000) in respect of administration and other services was paid to the parent undertaking during the year.

Gross rentals receivable for the year amounted to £21,000,020 (1998: £11,753,337).

6. TAXATION

		1999 £	1998 £
UK Corporation Tax at 30.75% (1998: 31%)			
Group relief - current year	13,531,099		
- prior year	<u>92,382</u>	13,623,481	13,615,791
Deferred tax		<u>(13,910,515)</u>	<u>(16,865,718)</u>
		<u>(287,034)</u>	<u>(3,249,927)</u>

ABBEY NATIONAL JUNE LEASING (1) LIMITED

NOTES TO THE ACCOUNTS (continued)

7. DIVIDENDS

	1999 £	1998 £
Interim paid		
£Nil per share (1998: £4,090,500)	-	8,181,000
Final proposed		
£1,184,000 per share (1998: £2,006,500)	<u>2,368,000</u>	<u>4,013,000</u>
	<u>2,368,000</u>	<u>12,194,000</u>

8. DEBTORS

- amounts falling due within one year

	1999 £	1998 £
Amounts due from the parent undertaking in respect of group relief	24,481,799	11,204,090
Net investment in finance leases	157,442	663,656
VAT recoverable	219,320	-
Other debtors	<u>18,461</u>	<u>45</u>
	<u>24,877,022</u>	<u>11,867,791</u>
 Costs of assets acquired for the purpose of letting under finance leases	 <u>1,000,000</u>	 <u>1,558,324</u>

9. CREDITORS

- amounts falling due within one year

	1999 £	1998 £
Amounts due to the parent undertaking in respect of proposed dividends	2,368,000	4,013,000
Amounts due to the parent undertaking	344,765,477	327,063,581
Amounts due to fellow subsidiary undertakings	3,330	3,330
VAT payable	-	5,523,397
Other creditors	<u>3,157,749</u>	<u>9,234</u>
	<u>350,294,556</u>	<u>336,612,542</u>

The amounts due to the parent undertaking are unsecured, repayable on demand and bear interest at market rates.

ABBEY NATIONAL JUNE LEASING (1) LIMITED

NOTES TO THE ACCOUNTS (continued)

10. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation provided in the accounts and the total potential liability are as follows:

	Amount provided		Total potential liability	
	1999	1998	1999	1998
	£	£	£	£
Tax effect of timing differences	<u>94,676,373</u>	<u>80,765,858</u>	<u>94,676,373</u>	<u>80,765,858</u>

The movement for deferred taxation is as follows:

Provision at 1 July 1998	80,765,858
Transfer from profit and loss account	<u>13,910,515</u>
Provision at 30 June 1999	<u>94,676,373</u>

11. CALLED UP SHARE CAPITAL

	1999	1998
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. PROFIT AND LOSS ACCOUNT

	£
At 1 July 1998	708,612
Retained loss for the year	<u>(290,221)</u>
At 30 June 1999	<u>418,391</u>

ABBEY NATIONAL JUNE LEASING (1) LIMITED

NOTES TO THE ACCOUNTS (continued)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Opening equity shareholders' funds	708,614	9,625,104
Profit for the year after taxation	2,077,779	3,277,510
Dividends	<u>(2,368,000)</u>	<u>(12,194,000)</u>
Closing equity shareholders' funds	<u>418,393</u>	<u>708,614</u>

14 CAPITAL COMMITMENTS

	1999 £	1998 £
Commitments as lessors for the purpose of equipment for use in finance leases	<u>-</u>	<u>1,000,000</u>

15. 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.

16. ULTIMATE PARENT UNDERTAKING

The company's intermediate parent undertaking is Abbey National Treasury Services plc which is registered in England and Wales. According to the register kept by the company, Abbey National Treasury Services plc had a 100% interest in the equity capital of the company at 30 June 1999.

The company's ultimate parent undertaking is Abbey National plc which is registered in England and Wales. Abbey National plc had a 100% interest in the equity capital of Abbey National Treasury Services plc according to the register kept by the latter company at 30 June 1999.

Consolidated accounts for Abbey National plc and Abbey National Treasury Services plc are available from Abbey House, Baker Street, London, NW1 6XL.