

ABBNEY NATIONAL BAKER STREET INVESTMENTS

REPORT AND ACCOUNTS

For the year ended 31 December 1999

Registered in England and Wales No. 2468307



ABBNEY NATIONAL BAKER STREET INVESTMENTS

DIRECTORS' REPORT

The directors present their report and accounts of Abbey National Baker Street Investments for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Since incorporation the company has acted 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 £4,965,152 (1998: £2,597,229) 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:

M A Pain	
I K Treacy	
J King	(Resigned 2 December 1999)
N Wilkes	(Appointed 2 December 1999)

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 1999 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		Options		Granted	Exercised	At 31 Dec 1999
	at 1 Jan 1999 or date of appointment if later	At 31 Dec 1999	at 1 Jan 1999 or date of appointment if later				
N Wilkes	13,298	13,298	22,550	-	-		22,550

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes 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 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.

ABBAY NATIONAL BAKER STREET INVESTMENTS

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

Shares in respect of Executive Share Options granted in 1999 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 1999 the ESOP 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).

ECONOMIC AND MONETARY UNION

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 EMU.

The costs of the plans to address the above was not material to the Company.

AUDITORS

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

During the year Coopers & Lybrand 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 BAKER STREET INVESTMENTS

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Abbey National Baker Street 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 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**

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

REPORT OF THE AUDITORS TO THE MEMBERS OF ABBAY NATIONAL CONTINENTAL INVESTMENTS

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 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

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

19 October 2000

ABBEY NATIONAL BAKER STREET INVESTMENTS**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Investment income	3	7,385,009	10,512,104
Administrative expenses		<u>(27,646)</u>	<u>(45,229)</u>
Operating profit on ordinary activities before taxation	4	7,357,363	10,466,875
Taxation	5	<u>(2,392,211)</u>	<u>(7,869,646)</u>
Profit on ordinary activities after taxation	10	<u><u>4,965,152</u></u>	<u><u>2,597,229</u></u>

All activities of the Company are regarded as continuing. The Company has no recognised gains and losses for either period 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.

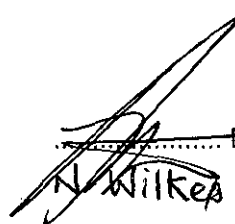
ABBEY NATIONAL BAKER STREET INVESTMENTS

BALANCE SHEET

as at 31 December 1999

	Notes	1999 £	1998 £
Called up share capital not paid	9	<u>2,401,098</u>	<u>2,401,098</u>
Fixed assets			
Investments	6	<u>83,495</u>	<u>149,642</u>
Current assets			
Debtors	7	144,589,032	197,008,502
Cash at bank		<u>330,446</u>	<u>17,327</u>
		144,919,478	197,025,829
Creditors: amounts falling due within one year	8	<u>(9,975,100)</u>	<u>(67,112,750)</u>
Net current assets		<u>134,944,378</u>	<u>129,913,079</u>
Total assets less current liabilities		<u>137,428,971</u>	<u>132,463,819</u>
Capital and reserves			
Called up share capital	9	123,173,813	123,173,813
Profit and loss account	10	<u>14,255,158</u>	<u>9,290,006</u>
Equity shareholders' funds	11	<u>137,428,971</u>	<u>132,463,819</u>

The accounts on pages 5 to 11 were approved by
the Board of Directors on 18 October 2000
and were signed on its behalf by:

 Director

ABBEEY NATIONAL BAKER STREET INVESTMENTS

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Investment income

Dividend income is recognised on a receipts basis. All other investment income is recognised on an accruals basis.

Fixed asset investments

Listed 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 asset or liability crystallises.

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 has taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (Revised), Cash Flow Statements and not published its own cashflow statement.

3. INVESTMENT INCOME

	1999 £	1998 £
Income from listed investments	4,623	9,312
Interest income from group undertakings	7,348,953	10,501,323
Profit on sale of investments	27,448	-
Bank interest	3,985	1,469
	<u>7,385,009</u>	<u>10,512,104</u>

ABBEY NATIONAL BAKER STREET 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 (1998: nil). However, M A Pain and I K Treacy received emoluments in respect of their services as directors of Abbey National plc, details of which can be found in the accounts of Abbey National plc.

	1999 £	1998 £
Auditors' remuneration	<u>5,000</u>	<u>-</u>

In 1998 the auditors' remuneration was borne by the immediate parent undertaking Abbey National Investment Holdings Limited.

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

The company paid a management charge of £14,188 (1998: £39,471) to a fellow subsidiary undertaking during the year.

5. TAXATION

	1999 £	1998 £
Group relief payable at 30.25% (1998: 31%)	2,392,211	7,945,253
Corporation tax		(76,407)
Tax on franked investment income		800
	<u>2,392,211</u>	<u>7,869,646</u>

ABBEY NATIONAL BAKER STREET INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

6. INVESTMENTS

Cost		
As at 1 January 1999		149,642
Disposals		<u>(66,147)</u>
As at 31 December 1999		<u>83,495</u>
	1999	1998
	£	£
Listed on a recognised stock exchange	83,495	83,495
Unlisted	<u>-</u>	<u>66,147</u>
	<u>83,495</u>	<u>149,642</u>

The market value of the listed investments at 31 December 1999 was £198,173 (1998: £156,553).

During the year, the company disposed of its unlisted investments which gave rise to a gain on disposal of £27,448.

7. DEBTORS

	1999	1998
	£	£
Amounts owed by group undertakings	144,585,484	145,884,283
Indemnities	-	51,120,671
Other debtors	<u>3,548</u>	<u>3,548</u>
	<u>144,589,032</u>	<u>197,008,502</u>

8. CREDITORS

	1999	1998
	£	£
Group relief owed to group undertakings	9,782,483	7,945,253
Sundry creditors	192,617	-
Taxation	<u>-</u>	<u>59,167,497</u>
	<u>9,975,100</u>	<u>67,112,750</u>

ABBEE NATIONAL BAKER STREET INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

9. SHARE CAPITAL

	1999 £	1998 £
Authorised: 1,361,702,250 Ordinary shares of £0.092 each	<u>125,753,104</u>	<u>125,753,104</u>
Allotted, called up and fully paid: 1,333,772,715 Ordinary shares of £0.092 each	<u>123,173,813</u>	<u>123,173,813</u>
Called up and fully paid: 1,307,772,715 Ordinary shares of £0.092 each	120,772,715	120,772,715
Called up and unpaid: 26,000,000 Ordinary shares of £0.092 each	<u>2,401,098</u>	<u>2,401,098</u>
	<u>123,173,813</u>	<u>123,173,813</u>

10. PROFIT AND LOSS ACCOUNT

As at 1 January 1999	9,290,006
Retained profit for the year	<u>4,965,152</u>
As at 31 December 1999	<u>14,255,158</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	1999 £	1998 £
Shareholders' funds at 1 January	132,463,819	129,866,590
Profit for the financial year	<u>4,965,152</u>	<u>2,597,229</u>
Shareholders' funds at 31 December	<u>137,428,971</u>	<u>132,463,819</u>

ABBAY NATIONAL BAKER STREET INVESTMENTS

NOTES TO THE ACCOUNTS (continued)

12. ULTIMATE 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 Baker Street Investments at 31 December 1999.

The Company's ultimate parent undertaking and controlling party is Abbey National plc, a company 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 1999.

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