

ABBAY NATIONAL BAKER STREET INVESTMENTS

REPORT AND ACCOUNTS

For the year ended 31 December 1994

Registered in England and Wales No. 2468307



## ABBEY 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 1994.

### PRINCIPAL ACTIVITIES

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 £53,608,782 (1993: £43,414,939). A dividend of £45,000,000 was proposed and paid during the year (1993: £42,000,000). £8,608,782 was transferred to reserves (1993: £1,414,939).

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

J M Fry (Chairman)  
I Harley  
I K Treacy

At the next Annual General Meeting of the company, in accordance with the Articles of Association, all the current directors will retire, and being eligible, will offer themselves for re-election.

None of the directors had a beneficial interest in the shares or debentures of the company or any other subsidiary company of Abbey National plc.

J M Fry and I Harley were also directors of Abbey National plc (the ultimate parent undertaking) as at 31 December 1994 and their interests in the shares and share options of that company are disclosed in the accounts of that company.

The interests of I K Treacy in the shares and share options of Abbey National plc are shown below:

	At 1 January 1994		Options granted during the year	At 31 December 1994	
	10p ord Shares	Options		10p ord Shares	Options
I K Treacy	1,400	93,720	16,909	1,400	110,629

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes are exercisable at prices between 149p to 322p per share within six months of the fifth and seventh anniversary of the contract start date. Options granted under the Executive Share Option Scheme are exercisable at prices between 254p to 468p per share after three or five years and within ten years from the date of the grant.

### DIRECTORS' LIABILITY INSURANCE

The company maintains insurance cover for directors' and officers' liability, as permitted by Section 310(3) of the Companies Act 1985.

## ABBAY NATIONAL BAKER STREET INVESTMENTS

### DIRECTORS' REPORT (continued)

#### AUDITORS

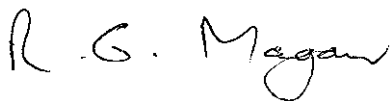
A resolution reappointing Coopers & Lybrand as auditors of the company and giving the directors the power to decide their remuneration will be put before the members at the next Annual General Meeting.

#### 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 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

3. 5. 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF  
ABBEE NATIONAL BAKER STREET INVESTMENTS

We have audited the accounts on pages 4 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, 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 at 31 December 1994 and of its profit and total recognised gains 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

*3 May*

1995

ABBEE NATIONAL BAKER STREET INVESTMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1994

	Notes	1994 £	1993 £
Investment income and gains	3	79,836,006	69,969,418
Interest payable		-	(240)
Administrative expenses		(62,628)	(68,873)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	79,773,378	69,900,305
Taxation	5	(26,164,596)	(26,485,366)
		<hr/>	<hr/>
PROFIT FOR THE YEAR AFTER TAX		53,608,782	43,414,939
Dividend paid	6	(45,000,000)	(42,000,000)
		<hr/>	<hr/>
TRANSFERRED TO RESERVES	10	<u>8,608,782</u>	<u>1,414,939</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 note of historical cost profits and losses has been presented.

ABBEE NATIONAL BAKER STREET INVESTMENTS

BALANCE SHEET

as at 31 December 1994

	Notes	1994 £	1993 £
<b>FIXED ASSETS</b>			
Investments	7	<u>1,252,483,353</u>	<u>1,262,065,387</u>
<b>CURRENT ASSETS</b>			
Amounts due from group undertakings		96,710,443	74,363,004
Other debtors		2,850	2,154
Cash at bank		<u>-</u>	<u>1,329</u>
		96,713,293	74,366,487
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	8	<u>(30,666,771)</u>	<u>(26,510,781)</u>
<b>NET CURRENT ASSETS</b>		<u>66,046,522</u>	<u>47,855,706</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,318,529,875</u>	<u>1,309,921,093</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	1,307,772,715	1,307,772,715
Reserves	10	10,757,160	2,148,378
		<u>1,318,529,875</u>	<u>1,309,921,093</u>

The notes on pages 6 to 9 form part of these accounts.

The accounts on pages 4 to 9 were approved by the Board of Directors on 3.5.1995 and were signed on its behalf by:

.....  ..... Director

## ABBNEY NATIONAL BAKER STREET INVESTMENTS

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

#### 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

Investment income is recognised upon receipt.

##### Fixed asset investments

- a) Listed investments are shown at cost less provision for any permanent diminution in value.
- b) Unlisted investments are shown at the lower of directors' valuation and cost less amounts written off.

##### Deferred taxation

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

#### 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 8(c) of Financial Reporting Standard 1, Cash Flow Statements.

#### 3. INVESTMENT INCOME AND GAINS

	1994 £	1993 £
Income from listed investments	6,731	5,470
Income from unlisted investments	79,343,977	65,332,260
Bank interest	128	599
Interest received from group undertakings	-	1,589,291
Gains on redemption of unlisted fixed asset investments	<u>485,170</u>	<u>3,041,798</u>
	<u>79,836,006</u>	<u>69,969,418</u>

# ABBEY NATIONAL BAKER STREET INVESTMENTS

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

During the year, the directors of the company were employed by the ultimate parent undertaking, Abbey National plc. No apportionment of directors' remuneration has been made by the parent undertaking to the company (1993: nil). However, J M Fry and I Harley 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.

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 year (1993: nil).

### 5. TAXATION

	1994 £	1993 £
Amount payable in respect of group relief surrendered		
- current year at 33% (1993: 33%)	26,163,808	26,484,780
Tax on franked investment income	<u>788</u>	<u>586</u>
	<u>26,164,596</u>	<u>26,485,366</u>

### 6. DIVIDENDS

	1994 £	1993 £
Ordinary Interim paid of 3.44p per share (1993: 3.15p)	<u>45,000,000</u>	<u>42,000,000</u>

### 7. INVESTMENTS

	Listed £	Unlisted £	Total £
As at 1 January 1994	150,387	1,261,915,000	1,262,065,387
Additions	-	-	-
Disposals	<u>-</u>	<u>(9,582,034)</u>	<u>(9,582,034)</u>
As at 31 December 1994	<u>150,387</u>	<u>1,252,332,966</u>	<u>1,252,483,353</u>



# ABBEY NATIONAL BAKER STREET INVESTMENTS

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 7. INVESTMENTS (Continued)

All listed investments are quoted on a recognised stock exchange. The market value of the listed investments at 31 December 1994 was £224,055 (1993: £216,298).

The unlisted investments are index linked securities. They are subject to an uplift on redemption which is related to the Retail Price Index.

The directors consider the market value of the unlisted investments at 31 December 1994 to be £1,486,324,909 (1993: £1,493,882,724).

### 8. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	1994 £	1993 £
Bank overdraft	55,927	-
Amounts due to group undertakings	<u>30,610,844</u>	<u>26,510,781</u>
	<u>30,666,771</u>	<u>26,510,781</u>

### 9. SHARE CAPITAL

	1994 £	1993 £
Ordinary shares of £1 each		
Authorised:		
ordinary shares of £1 each	<u>1,361,702,250</u>	<u>1,361,702,250</u>
Allotted:		
ordinary shares of £1 each	<u>1,333,772,715</u>	<u>1,333,772,715</u>
Called up and fully paid:		
Ordinary shares of £1 each	1,307,772,715	1,307,772,715
Called up and unpaid:		
Ordinary shares of £1 each	<u>26,000,000</u>	<u>26,000,000</u>
	<u>1,333,772,715</u>	<u>1,333,772,715</u>

### 10. MOVEMENT ON RESERVES

	£
As at 1 January 1994	2,148,378
Retained profit for the year	<u>8,608,782</u>
As at 31 December 1994	<u>10,757,160</u>

## ABBAY NATIONAL BAKER STREET INVESTMENTS

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

#### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Shareholders' funds at 1 January 1994	1,309,921,093
Profit for the financial year	8,608,782
	<hr/>
Shareholders' funds at 31 December 1994	<u>1,318,529,875</u>
Shareholders' funds at 1 January 1993	1,308,506,154
Profit for the financial year	1,414,939
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Shareholders' funds at 31 December 1993	<u>1,309,921,093</u>

#### 12. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Abbey National Investments Holdings Limited, which is registered in England and Wales.

The company's ultimate parent undertaking is Abbey National plc, which is registered in England and Wales. Copies of the consolidated accounts of Abbey National plc may be obtained from Abbey House, Baker Street, London, NW1 6XL.

#### 13. POST BALANCE SHEET EVENT

Following changes in the legislation regarding index linked securities announced in the 1994 Budget, seven of the ten issuers redeemed their bonds, totalling £771 million, in January 1995.