

ABBEY NATIONAL BAKER STREET INVESTMENTS

REPORT AND ACCOUNTS

For the year ended 31 December 1995

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 1995.

### 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 £235,057,178 (1994: £53,608,782). A dividend of £245,402,159 (1994: £45,000,000) was proposed and paid during the year. £(10,344,981) (1994: £8,608,782) was transferred to reserves.

Following changes in the legislation regarding index linked securities announced in the 1994 Budget, the ten issuers of the unlisted securities held by the company redeemed their bonds during the year.

On 19 December 1995 the nominal value of the ordinary share capital of the company was reduced from £1 to £0.092 per share and the capital returned to the shareholders.

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the period were:

J M Fry (Chairman)

I Harley

I K Treacy

J King

Appointed 14 December 1995

J M Fry resigned as a director of the company on 17 April 1996. He was replaced as Chairman by I Harley.

Following the adoption of new Articles of Association by the company on 25 May 1995, it is no longer a requirement for directors to apply for re-election.

The directors did not have any interests in the shares or debentures of the company or other subsidiaries 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 1995 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 and J King in the shares and share options of Abbey National plc are shown below:

	At 1 January 1995*		Options granted during the year	Options exercised during the year	At 31 December 1995	
	10p ord Shares	Options			10p ord Shares	Options
I K Treacy	1,400	110,629	28,500	65,128	9,028	74,001
J King	16,406	78,871	-	-	16,406	78,871

\* or at date of appointment if later.

## ABBNEY NATIONAL BAKER STREET INVESTMENTS

### DIRECTORS' REPORT (continued)

### DIRECTORS AND THEIR INTERESTS (continued)

Options granted to directors under the ultimate parent undertaking's Sharesave Schemes are exercisable at prices between 149p to 428p 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 483p 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.

### 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.

### 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

 24/10/96

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

## REPORT OF THE AUDITORS TO THE MEMBERS OF ABBNEY 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.

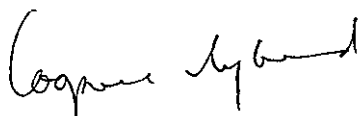
### BASIS OF OPINION

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 as at 31 December 1995 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  
Chartered Accountants and Registered Auditors  
London

25 OCT 1996

# ABBEE NATIONAL BAKER STREET INVESTMENTS

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Investment income and gains	3	281,679,456	79,836,006
Interest payable		(196)	-
Administrative expenses		(416,778)	(62,628)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	281,262,482	79,773,378
Taxation	5	(46,205,304)	(26,164,596)
		<hr/>	<hr/>
Profit for the year after taxation		235,057,178	53,608,782
Dividend paid	6	(245,402,159)	(45,000,000)
		<hr/>	<hr/>
Retained (loss)/profit for the year	10	<u>(10,344,981)</u>	<u>8,608,782</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.

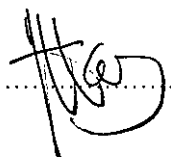
# ABBEY NATIONAL BAKER STREET INVESTMENTS

## BALANCE SHEET

as at 31 December 1995

	Notes	1995 £	1994 £
<b>Fixed assets</b>			
Investments	7	<u>182,959</u>	<u>1,252,483,353</u>
<b>Current assets</b>			
Amounts due from fellow subsidiary undertakings		164,652,479	96,710,443
Indemnities		67,750,472	-
Other debtors		3,548	2,850
Cash at bank		5,000	-
		<u>232,411,499</u>	<u>96,713,293</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(111,409,564)</u>	<u>(30,666,771)</u>
<b>Net current assets</b>		<u>121,001,935</u>	<u>66,046,522</u>
<b>Total assets less current liabilities</b>		<u>121,184,894</u>	<u>1,318,529,875</u>
<b>Capital and reserves</b>			
Called up share capital	9	120,772,715	1,307,772,715
Profit and loss account	10	412,179	10,757,160
<b>Equity shareholders' funds</b>	11	<u>121,184,894</u>	<u>1,318,529,875</u>

The accounts on pages 4 to 9 were approved by the Board of Directors on 24/10/96 and were signed on its behalf by:

 Director

## ABBNEY NATIONAL BAKER STREET INVESTMENTS

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

#### 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 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.

#### 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

	1995 £	1994 £
Income from listed investments	44,678	6,731
Income from unlisted investments	47,552,843	79,343,977
Bank interest	461	128
Interest received from group undertakings	88,323,596	-
Gains on redemption of unlisted fixed asset investments	<u>145,757,878</u>	<u>485,170</u>
	<u>281,679,456</u>	<u>79,836,006</u>

# ABBEY NATIONAL BAKER STREET INVESTMENTS

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

### 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 (1994: 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 intermediate parent undertaking, Abbey National Investments Holdings Limited.

The company had no directly employed staff during the period (1994: nil).

The company paid a management charge of £409,226 (1994: £62,628) to a fellow subsidiary undertaking during the year.

### 5. TAXATION

	1995 £	1994 £
Group relief - current	44,712,186	-
- prior	<u>1,320</u>	<u>-</u>
	44,713,506	-
Corporation tax - current	66,805,388	26,163,808
- prior	<u>2,435,472</u>	<u>-</u>
	69,240,860	26,163,808
Tax on FII	1,410	788
Indemnity amounts	<u>(67,750,472)</u>	<u>-</u>
	<u>46,205,304</u>	<u>26,164,596</u>

The provision for corporation tax in the sum of £69,240,860 represents the potential UK tax resulting from the redemption of bonds in the current and previous years if the Inland Revenue were to succeed in its contention that the bonds did not qualify for exemption as Qualifying Indexed Securities. However, if the Inland Revenue's challenge were to be successful, the issuers of the bonds would be liable to make a payment of £67,750,472 to the Company under the terms of indemnity arrangements. The Directors do not accept that UK tax is payable on redemption of the bonds and are vigorously disputing this liability.

### 6. DIVIDENDS

	1995 £	1994 £
Ordinary		
- Interim paid of 18.76p per share (1994: 3.44p)	<u>245,402,159</u>	<u>45,000,000</u>



# ABBEY NATIONAL BAKER STREET INVESTMENTS

## NOTES TO THE ACCOUNTS

For the year ended 31 1995

### 7. INVESTMENTS

	Listed £	Unlisted £	Total £
As at 1 January 1995	150,387	1,252,332,966	1,252,483,353
Additions	66,147	-	66,147
Disposals	(33,575)	(1,252,332,966)	(1,252,366,541)
As at 31 December 1995	<u>182,959</u>	<u>-</u>	<u>182,959</u>

All listed investments are quoted on a recognised stock exchange. The market value of the listed investments at 31 December 1995 was £249,441 (1994: £224,055).

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

	1995 £	1994 £
Bank overdraft	-	55,927
Amounts due to group undertakings	42,168,704	30,610,844
Taxation	<u>69,240,860</u>	<u>-</u>
	<u>111,409,564</u>	<u>30,666,771</u>

### 9. SHARE CAPITAL

	1995 £	1994 £
Ordinary shares of £0.092 each (1994: £1)		
Authorised:		
ordinary shares of £0.092 each (1994: £1)	<u>125,753,104</u>	<u>1,361,702,250</u>
Allotted:		
ordinary shares of £0.092 each (1994: £1)	<u>123,173,813</u>	<u>1,333,772,715</u>
Called up and fully paid:		
As at 1 January ordinary shares of £1 each	1,307,772,715	1,307,772,715
Reduction in nominal value during the year	<u>(1,187,000,000)</u>	<u>-</u>
As at 31 December ordinary shares of £0.092 each (1994: £1)	120,772,715	1,307,772,715
Called up and unpaid:		
Ordinary shares of £0.092 each (1994: £1)	<u>2,401,098</u>	<u>26,000,000</u>
	<u>123,173,813</u>	<u>1,333,772,715</u>

### 10. PROFIT AND LOSS ACCOUNT

	£
As at 1 January 1995	10,757,160
Retained loss for the year	<u>(10,344,981)</u>
As at 31 December 1995	<u>412,179</u>

# ABBEY NATIONAL BAKER STREET INVESTMENTS

## NOTES TO THE ACCOUNTS

For the period ended 31 December 1995

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

	1995 £	1994 £
Shareholders' funds at 1 January	1,318,529,875	1,309,921,093
(Loss)/profit for the financial year	(10,344,981)	8,608,782
Reduction in the nominal value of share capital	(1,187,000,000)	-
	<hr/>	<hr/>
Shareholders' funds at 31 December	<u>121,184,894</u>	<u>1,318,529,875</u>

### 12. PARENT UNDERTAKING

The company's intermediate 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 had a 100% interest in the equity capital of Abbey National Baker Street Investments at 31 December 1995.

The company's ultimate parent undertaking 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 1995. Consolidated accounts for Abbey National plc and the accounts of Abbey National Investments Holdings Limited are available from Abbey House, Baker Street, London, NW1 6XL.