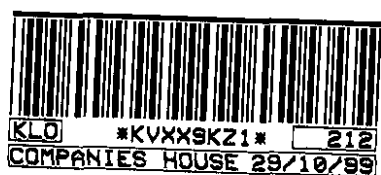


ABBAY NATIONAL PROPERTY SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

Registered No. 2937720



ABBEY NATIONAL PROPERTY SERVICES LIMITED

Report of the Directors

The Directors submit their report together with the accounts for the year ended 31 December 1998.

1. Principal activity and review of the year

The principal activities of the Company were commercial and residential estate agency and the provision of related services.

In 1995, the Company acquired the trade and certain net assets from Abbey National Beta Investments Limited and during that year disposed of its trade in commercial and residential estate agency. As a result of the acquisition and subsequent disposal, the Company gave certain undertakings and assumed certain liabilities.

The Company has not traded during the year. No future changes in activity are envisaged.

2. Results and Dividend

The results for the year are set out on page 5. The profit of £724,697 will be transferred to reserves. The Directors do not recommend the payment of a dividend.

3. Directors and their interests

The Directors who served during the year were :

Mr B A Brown
Mr R W Fisher
Mr J King
Mr M A Pain (resigned 1 March 1998)

None of the Directors had a beneficial interest in the shares of the Company at the year end. The Directors' interests in the shares of the ultimate holding Company, Abbey National plc, (other than those disclosed in that Company's annual report) were as follows :

Ordinary Shares 10p each

Directors	As at 1 January 1998 or at date of appointment if later.	As at 31 December 1998
Mr B A Brown	250	250
Mr R W Fisher	11,607	11,613
Mr J King	20,957	36,500

Option Schemes - Ordinary Shares 10p each

Directors	As at 1 January 1998 or at date of appointment if later	Options granted during the year or since appointment if later.	Options exercised during the year or since appointment if later.	As at 31 December 1998
Mr B A Brown	150	0	0	150
Mr R W Fisher	77,010	7,849	0	84,859
Mr J King	104,781	349	60,357	44,773

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Report of the Directors (continued)

Options granted to Directors under the ultimate holding company's Sharesave Scheme 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 and Employee Share Option Schemes are exercisable at prices between 254p and 1195p per share after three years or five years and before ten years from the date of grant.

Shares in respect of Executive Share Options granted in 1998 are held by the Abbey National ESOP Trust (the Trust). Whilst the directors' interest in these shares (if any) are included above, each of the directors of the Company is a potential beneficiary of the Trust and is therefore deemed to have an interest in the shares held by the Trust. At 31st December 1998 the Trust held 784,663 ordinary shares (1997 - nil).

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 1998, the Employee Trust held 268,936 ordinary shares (1997 - 129,780).

4. Directors' Responsibility in respect of the Preparation of Accounts

The Directors are required by UK company law to prepare accounts for each financial year that 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 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 accounts for the year ended 31 December 1998. 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, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. Auditors

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

The Board of the parent Company, Abbey National plc, announced on 10 November 1998 its intention to nominate Deloitte & Touche for appointment as Auditors of Abbey National plc and its subsidiaries. Deloitte & Touche have expressed their willingness to accept this appointment and a resolution to give effect to it will be approved by the Board of the Company. Accordingly Coopers & Lybrand will retire following approval of the 1998 accounts and Deloitte & Touche will be appointed

ABBEY NATIONAL PROPERTY SERVICES LIMITED

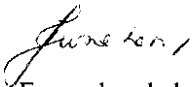
Report of the Directors (continued)

6. Year 2000 and Economic and Monetary Union

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

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

By order of the Board



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

26 October

1999:

Registered Office:
Abbey House
Baker Street
London
NW1 6XL

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Report of the Auditors to the members of ABBEY NATIONAL PROPERTY SERVICES LIMITED

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 1998, and of its profit 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

28 Oct 1999

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Profit and Loss Account

For the year ended 31 December 1998

	Notes	1998 £	1997 £
Other income	2	-	168,282
Other expenditure	3	-	(155,000)
Provisions released	9	719,092	613,309
OPERATING PROFIT		<u>719,092</u>	<u>626,591</u>
Interest receivable	4	8,133	6,845
Interest payable		(7)	-
PROFIT on ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>727,218</u>	<u>633,436</u>
Taxation on profit on ordinary activities	6	(2,521)	(55,919)
PROFIT on ORDINARY ACTIVITIES AFTER TAXATION	11	<u><u>724,697</u></u>	<u><u>577,517</u></u>

The Company has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

All operations have been discontinued.

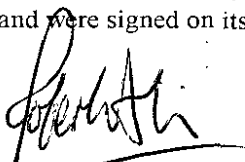
ABBEY NATIONAL PROPERTY SERVICES LIMITED

Balance Sheet

As at 31 December 1998

	Notes	1998 £	1997 £
CURRENT ASSETS			
Debtors	7	3,307,592	4,164,391
Cash at bank		<u>186,648</u>	<u>179,554</u>
		3,494,240	4,343,945
CREDITORS - amounts falling due within one year	8	<u>(14,710,407)</u>	<u>(15,188,312)</u>
TOTAL ASSETS less CURRENT LIABILITIES		(11,216,167)	(10,844,367)
PROVISION for LIABILITIES and CHARGES	9	(3,847,369)	(4,943,866)
NET LIABILITIES		<u>(15,063,536)</u>	<u>(15,788,233)</u>
CAPITAL and RESERVES			
Called-up share capital	10	2	2
Profit and loss account		<u>(15,063,538)</u>	<u>(15,788,235)</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>(15,063,536)</u>	<u>(15,788,233)</u>

The financial statements on page 5 to 10 were approved by the Board of Directors on 26th October 1998 and were signed on its behalf by :



Director

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Notes to the Financial Statements for the year ended 31 December 1998

1. Accounting Policies

a. Basis of Accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

b. Interest Receivable

Interest receivable is calculated on an accruals basis.

c. Cash Flow Statement

The Company is a wholly owned subsidiary of Abbey National plc, a Company incorporated in Great Britain. Accordingly the Company is not required to produce a cash flow statement as prescribed in paragraph 5 (a) of Financial Reporting Standard No.1 (revised 1996), Cash Flow Statements.

d. Leaschold Properties

Lease agreements which transfer to the Company substantially all the benefits and risks of an asset are treated as if the asset had been purchased outright. Properties are leased to customers under operating leases and income is accounted for on a straight line basis.

2. Other Income

Other income in 1997 represents monies received in respect of a settled legal case.

3. Other Expenditure

Other expenditure in 1997 represents irrecoverable legal costs incurred on behalf of J Trevor, a former business of the Company.

4. Interest Receivable

	1998	1997
	£	£
Bank interest	8,093	6,659
Other interest receivable	40	186
Total	<u>8,133</u>	<u>6,845</u>

5. Profit on Ordinary Activities before Taxation

Directors' emoluments and auditors' remuneration for 1998 are borne by the Parent Company, Abbey National plc. No emoluments were paid to Directors by the Company during the year and it is not practical for the Parent Company to apportion Directors' emoluments.

The Company has no employees. No management fee for administration services is charged by the immediate parent.

ABBEY NATIONAL PROPERTY SERVICES LIMITED**Notes to the Financial Statements for the year ended 31 December 1998 (continued)****6. Taxation**

	1998	1997
	£	£
Under provision of Corporation Tax in prior years	-	(269)
Group relief payable at 31% (1997: 31.5%)	(2,521)	(55,650)
Total	<u>(2,521)</u>	<u>(55,919)</u>

The taxation charge is different from the effective rate due to the release of provisions which are not liable to tax.

7. Debtors : amounts falling due within one year

	1998	1997
	£	£
Other debtors	191,332	200,006
Amounts due from Group Companies	3,116,260	3,964,385
Total	<u>3,307,592</u>	<u>4,164,391</u>

8. Creditors : amounts falling due within one year

	1998	1997
	£	£
Amounts owed to Group Companies	(14,519,241)	(14,519,241)
Group relief payable	(2,521)	(55,650)
Corporation tax	-	(269)
Other creditors	(188,645)	(613,152)
Total	<u>(14,710,407)</u>	<u>(15,188,312)</u>

9. Provision for Liabilities and Charges

	1998	1997
	£	£
As at 1 January	(4,943,866)	(6,510,000)
Transfers from profit and loss account	719,092	613,309
Utilisation of provisions	377,405	952,825
As at 31 December	<u>(3,847,369)</u>	<u>(4,943,866)</u>

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Notes to the Financial Statements for the year ended 31 December 1998 (continued)

10. Share Capital

	1998	1997
	£	£
Authorised: 100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid : 2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

11. Reconciliation of movements in Shareholders' Funds

	1998	1997
	£	£
Retained profit for the year	724,697	577,517
Opening shareholders' funds	(15,788,233)	(16,365,750)
Closing shareholders' funds	<u>(15,063,536)</u>	<u>(15,788,233)</u>

12. Capital Commitments and Contingent Liabilities

There were no outstanding capital commitments or contingent liabilities that are not provided for as at 31st December 1998 (1997: nil).

13. Other Financial Commitments

Commitments under operating leases to pay rentals during the following year of these accounts are given below, analysed according to the period in which the lease expires:-

	1998	1997
	£	£
Land and buildings:		
expiring within 1 year	18,004	-
expiring during years 2 to 5	85,500	51,754
expiring thereafter	484,480	536,230
	<u>587,984</u>	<u>587,984</u>

14. Related Party Transactions

There were no related party transactions during the period, or existing at the balance sheet date, with Directors of the Company.

The Company has taken advantage of the exemption covered by paragraph 3 (c) of FRS8 'Related parties' not to disclose transactions with entities that are part of the Abbey National Group.

15. Ultimate Parent Company

The controlling and ultimate Parent Company is Abbey National plc, which is incorporated in Great Britain. Copies of the consolidated financial statements of Abbey National plc may be obtained from Abbey House, Baker Street, London, NW1 6XL.

ABBEY NATIONAL PROPERTY SERVICES LIMITED

Notes to the Financial Statements for the year ended 31 December 1998 (continued)

16. Parental Support

The Company's liabilities exceed its assets and accordingly it is dependant upon the continuing support of its parent company. The Directors have obtained an undertaking from its ultimate holding company that such support will be provided for a period of at least 12 months from the date of approval of these accounts.