

ABBEY NATIONAL FRANCE HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts of Abbey National France Holdings Limited for the period ended 31 December 1995.

PRINCIPAL ACTIVITIES

The company was incorporated on 5th August 1994 and now has the status of a holding company. The directors foresee no change in its activities.

RESULTS FOR THE YEAR

Profit for the period on ordinary activities after taxation amounted to £77,603,000 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 period were:

T.C.W. Ingram	(Appointed 24 November 1995)
D. G. Jones	(Appointed 14 November 1994, resigned 24 November 1995)
D. M. Smith	(Appointed 14 November 1994)
P. Haizet	(Appointed 15 November 1994)
O. Vedrenne-Cloquet	(Appointed 14 November 1994)
N. Wilkes	(Appointed 05 August 1994, resigned 14 November 1994)
L. Nagrecha	(Appointed 05 August 1994, resigned 14 November 1994)
Instant Companies Limited	(Appointed and resigned 05 August 1994)

T.C.W. Ingram resigned on 25 January 1996 and C.N. Villiers was appointed as director and chairman on 26 January 1996.

None of the directors had a beneficial interest in the shares of the company at 31 December 1995.

C. N. Villiers and D. G. Jones are also directors of Abbey National plc (the ultimate parent undertaking) 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 the other directors in the shares and share options of the ultimate parent undertaking were as follows:

Directors	At 5/8/94 (or date of Appointment if later)			At 31/12/95		
	Shares	Options	Share options granted during the period	Options exercised during the period	Shares	Options
D.M. Smith	3 592	10,920	14,434	-	3 592	25,354
T.C.W Ingram	200	-	4,180	-	200	4,180

Options granted to directors under the Sharesave Scheme of the ultimate parent undertaking are exercisable at prices between 149 p and 428 p per share within six months of the fifth or seventh anniversary of the contract start date. Options granted under the Executive Share Option Scheme are exercisable at prices between 254 p and 537 p per share after three years or five years and before ten years from the date of grant.



ABBEY NATIONAL FRANCE HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' LIABILITY INSURANCE

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

AUDITORS

A resolution appointing Coopers & Lybrand as auditors of the company was passed at a meeting of the Board of Directors held on 5th August 1994.

A resolution reappointing Coopers & Lybrand as auditors of the company and giving the directors the power to decide their remuneration was passed at the Annual General Meeting held on 26th January 1996.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of Abbey National France Holdings Limited are required by UK company law to prepare accounts for each financial year, 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 period. 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;
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the accounts.

BY ORDER OF THE BOARD

F. Schaufelberger
Company Secretary

17 May 1996

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ABBAY NATIONAL FRANCE HOLDINGS LIMITED**

We have audited the accounts on pages 4 to 8.

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 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

22 May 1996

ABBAY NATIONAL FRANCE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 31 December 1995

	Notes	£,000
Net Interest Income		87
Other Operating Income	3	77,552

Net Operating Income		77,639
Administrative expenses		(6)

Profit on ordinary activities before taxation	4	77,633
Taxation	5	(30)

RETAINED PROFIT FOR THE PERIOD	9	<u>77,603</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.

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

ABBAY NATIONAL FRANCE HOLDINGS LIMITED

BALANCE SHEET as at 31 December 1995

	Notes	£,000
ASSETS		
Investment in subsidiary	6	763,339
Securities and Investments	7	1,406
Other assets		3

TOTAL ASSETS		<u>764,748</u>
LIABILITIES		
Creditors: amounts falling due within one year:		
Other creditors		9
Taxation		30

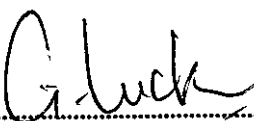
		39
Called up share capital	8	687,106
Reserves	9	77,603

Equity Shareholders' funds	10	764,709

TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>764,748</u>

The notes on pages 6 to 8 form part of these accounts.

The accounts on pages 4 to 8 were approved by the Board of Directors on and were signed on its behalf by:

 Director

17 May 1996

ABBEY NATIONAL FRANCE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

For the period 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.

Foreign Currency Translation

Income and expenses arising in foreign currencies are translated into sterling at the rate ruling at the transaction date. Assets and liabilities in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Translation differences are dealt with through the profit and loss account.

Securities

Securities held for investment purposes are stated at cost, adjusted for any amortisation of premiums or discount over their estimated lives. Provision is made for any permanent diminution in value.

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.

Interest in subsidiary undertaking

The company's interest in its subsidiary undertaking is stated at cost less any provision for permanent diminution in value.

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 allowed by Paragraph 8(c) of Financial Reporting Standard 1, Cash Flow Statements.

3. OTHER OPERATING INCOME

Other operating income represents unrealised exchange gains arising from the translation of the company's investment in its subsidiary which is denominated in French francs.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

During the period, none of the directors received remuneration in respect of their services to the company. D.M. Smith, O. Vedrenne-Cloquet and P. Haizet received remuneration from the subsidiary company Abbey National France SA. All other directors of the company received remuneration from the ultimate parent undertaking, Abbey National plc. No apportionment of directors' remuneration has been made to the company.

The auditors' remuneration has been borne by the ultimate parent undertaking, Abbey National plc.

The company had no directly employed staff during the year.

ABBEY NATIONAL FRANCE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 1995

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£,000
French corporation tax at 33.3%	27
French corporation tax at 3.3%	3

Tax on profit on ordinary activities	<u>30</u>

The company is tax resident in France and, in accordance with French tax law, no taxation is payable on unrealised foreign exchange gains in respect of investments quoted in domestic currency, ie: in French francs.

6. INVESTMENT IN SUBSIDIARY

Investment in subsidiary is comprised wholly of a 100% interest in the ordinary B shares of Abbey National France SA, a finance company incorporated in France. The investment amounts to French francs 5,790,000,000.

7. SECURITIES AND INVESTMENTS

	£,000
Certificates of Deposit	1,319
Other Securities and Investments	87

	<u>1,406</u>

The Securities and investments are not listed on a recognised stock exchange. The Directors estimate that the market value of the securities and investments is equivalent to their book value at 31st December 1995.

8. SHARE CAPITAL

	£,000
Authorised:	
Ordinary shares of £1 each	<u>1,000,000</u>
Allotted, called up and fully paid:	
Ordinary shares of £1 each	<u>687,106</u>

9. RESERVES

	£,000
Profit for the period	77,603

As at 31 December 1995	<u>77,603</u>

ABBEY NATIONAL FRANCE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued) For the period ended 31 December 1995

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£,000
Issue of Share Capital	687,106
Profit for the period	77,603

Shareholders' funds at 31 December 1995	<u>764,709</u>

11. ULTIMATE PARENT UNDERTAKING

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.