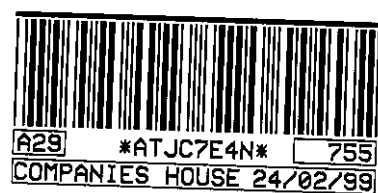


**ABBAY NATIONAL AMERICAN INVESTMENTS LIMITED**

**REPORT AND ACCOUNTS**  
**For the year ended 31 December 1998**

**REGISTERED IN ENGLAND AND WALES No. 3053574**



## **ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and accounts of Abbey National American Investments Limited for the year ended 31 December 1998.

### **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**

The profit for the year on ordinary activities after tax amounted to £17,723,870 (1997: £16,313,677). The directors recommend the payment of a dividend of £50,000,000 (1997: £nil). The retained loss after dividend of £32,276,130 (1997: profit £16,313,677) has been transferred from/(to) reserves.

### **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the period were:

D G Jones	Chairman
A Merrick	Appointed 5 March 1998
R Garratt	Appointed 5 March 1998
S A E Edwards	Appointed 18 December 1998
I Harley	Resigned 1 March 1998
G S Long	Resigned 10 March 1998
G M Batchelor	Resigned 18 December 1998

D G Jones was also a director of Abbey National plc, the ultimate parent undertaking, at 31 December 1998 and his interests in the shares and share options of that company are disclosed in the accounts of that company.

R Garratt was also a director of Abbey National Treasury Services plc, the immediate parent undertaking, at 31 December 1998. His interests in the shares and share options of the ultimate parent undertaking are disclosed in the accounts of Abbey National Treasury Services plc.

The interests of A Merrick and S A E Edwards in the ordinary shares of 10p each of Abbey National plc are shown below:

	Shares at 1 Jan 1998*	Shares at 31 Dec 1998	Options at 1 Jan 1998*	Granted	Exercised	Options at 31 Dec 1998
A Merrick	6,534	5,254	5,150	1,046	—	6,196
S A E Edwards	1,857	1,857	41,958	—	—	41,958

\* or date of appointment, if later.

The directors did not have any interest in the shares and debentures of the company or any other subsidiaries of Abbey National plc.

## **ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **YEAR 2000 AND ECONOMIC AND MONETARY UNION**

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

#### **AUDITORS**

The company's auditors, Coopers & Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers, as 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 ultimate 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.

## **ABBAY NATIONAL AMERICAN INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors of Abbey National American Investments Limited 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**

16/2/99

## **REPORT OF THE AUDITORS TO THE MEMBERS OF ABBEE NATIONAL AMERICAN INVESTMENTS LIMITED**

We have audited the accounts on pages 5 to 11.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the Report and Accounts including, as described on page 3, the accounts. 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 accounts 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 accounts, 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 Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### **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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*  
**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**London**

*16 February 1999*

**ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED**

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	Notes	1998 £	1997 £
Investment income	2	25,720,052	25,042,215
Interest payable		(12,622)	(12,578)
Administrative expenses		(6,635)	(12,027)
<b>Profit on ordinary activities before tax</b>	3	25,700,795	25,017,610
Tax on profit on ordinary activities	4	(7,976,925)	(8,703,933)
<b>Profit on ordinary activities after tax</b>		17,723,870	16,313,677
Proposed dividend		(50,000,000)	—
<b>Retained (loss)/profit for the financial year</b>	10	<u>(32,276,130)</u>	<u>16,313,677</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.

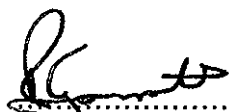
**ABBAY NATIONAL AMERICAN INVESTMENTS LIMITED**

**BALANCE SHEET**

**At 31 December 1998**

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Investments	5	<u>942,592</u>	<u>252,955,169</u>
<b>Current assets</b>			
Debtors	6	307,859,778	37,465,026
<b>Creditors:</b> amounts falling due within one year	7	(51,262,950)	(604,645)
<b>Net current assets</b>		<u>256,596,828</u>	<u>36,860,381</u>
<b>Total assets less current liabilities</b>		<u>257,539,420</u>	<u>289,815,550</u>
<b>Capital and reserves</b>			
Called up share capital	8	253,005,000	253,005,000
Profit and loss account	9	<u>4,534,420</u>	<u>36,810,550</u>
<b>Equity shareholders' funds</b>	10	<u>257,539,420</u>	<u>289,815,550</u>

The accounts on pages 5 to 11 were approved  
by the Board of Directors on 16/2/99  
and signed on its behalf by:

 Director

# ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

## 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

Dividends from fixed rate preference share investments and interest income is recognised on an accruals basis. Other dividend income is recognised on a receipts basis. Overseas dividends include the related tax credit.

#### Deferred tax

Deferred tax is provided only where it is probable that a tax asset or liability will arise. Provision is made at rates expected to be applicable when the asset or liability crystallises.

#### Fixed asset investments

Securities held for investment purposes are stated at cost adjusted for any amortisation of premium or discount on an appropriate basis over their estimated lives. Provision is made for any permanent diminution in value.

#### Cash flow statement

The cash flows of the company are included in the cash flow statement of Abbey National plc, the ultimate parent undertaking. Accordingly, the company is not required to produce a cash flow statement as permitted by paragraph 5(a) of Financial Reporting Standard 1, Cash Flow Statements (Revised).

### 2. INVESTMENT INCOME

	1998 £	1997 £
Dividend income	323,438	251,104
Interest income	21,403,244	22,950,747
Interest receivable from parent company	3,988,780	1,840,364
Other	<u>4,590</u>	<u>-</u>
	<u>25,720,052</u>	<u>25,042,215</u>

Dividend income represents income on investment in equity shares and other variable yield securities.

Interest income includes dividends on other unlisted investments of £21,315,378 (1997: £22,862,872).



# ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

## NOTES TO THE ACCOUNTS

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging:

	1998 £	1997 £
Auditors' remuneration	<u>5,750</u>	<u>5,000</u>

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 or the immediate parent undertaking to the company. However, D G Jones received emoluments in respect of his services as a director of Abbey National plc. G M Batchelor and R Garratt received emoluments in respect of their services as directors of Abbey National Treasury Services plc.

The company had no directly employed staff during the year (1997: nil).

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Group relief at 31% (1997: 31.5%)	(599,645)	599,639
UK corporation tax at 31% (1997: 31.5%)	8,997,904	7,272,162
Double tax relief	(7,140,599)	(7,272,162)
Overseas taxation payable	<u>6,719,265</u>	<u>8,104,294</u>
	<u>7,976,925</u>	<u>8,703,933</u>

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

5. FIXED ASSET INVESTMENTS

	Listed	Equity shares and other variable yield securities	Unlisted	Total
	£	£	Other unlisted investments £	£
Cost				
As at 1 January 1998	890,000	3,000,000	249,000,000	252,890,000
Disposals	—	(3,000,000)	(249,000,000)	(252,000,000)
As at 31 December 1998	890,000	—	—	890,000
Unamortised premium				
As at 1 January 1998	65,169	—	—	65,169
Profit and loss for the year	(12,577)	—	—	(12,577)
As at 31 December 1998	52,592	—	—	52,592
Net book value at 31 December 1998	<u>942,592</u>	<u>—</u>	<u>—</u>	<u>942,592</u>
Market value at 31 December 1998	<u>1,066,628</u>	<u>—</u>	<u>—</u>	<u>1,066,628</u>
Market value at 31 December 1997	<u>1,017,463</u>	<u>3,000,000</u>	<u>249,000,000</u>	<u>253,017,463</u>

Market values are based on market prices of investments where available. Where market prices are not available, the directors' valuation has been used.

6. DEBTORS

	1998 £	1997 £
Amounts due from parent undertaking	307,729,444	37,310,882
Amounts due from group undertakings	46,053	46,053
Income tax recoverable	54,922	37,347
Accrued interest	29,359	70,744
	<u>307,859,778</u>	<u>37,465,026</u>

# **ABBAY NATIONAL AMERICAN INVESTMENTS LIMITED**

## **NOTES TO THE ACCOUNTS**

### **7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Amounts due to fellow subsidiaries in respect of group relief	–	599,645
Corporation tax payable	1,257,660	–
Other	5,290	5,000
Proposed dividend	<u>50,000,000</u>	<u>–</u>
	<u>51,262,950</u>	<u>604,645</u>

### **8. CALLED UP SHARE CAPITAL**

	1998 £	1997 £
<b>Authorised</b>		
253,005,000 ordinary shares of £1 each	<u>253,005,000</u>	<u>253,005,000</u>
<b>Allotted, called up and fully paid</b>		
253,005,000 ordinary shares of £1 each	<u>253,005,000</u>	<u>253,005,000</u>

### **9. PROFIT AND LOSS ACCOUNT**

	1998 £	1997 £
As at 1 January	36,810,550	20,496,873
Retained (loss)/profit for the year	<u>(32,276,130)</u>	<u>16,313,677</u>
At 31 December	<u>4,534,420</u>	<u>36,810,550</u>

### **10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Opening shareholders' funds	289,815,550	273,501,873
Retained (loss)/profit for the year	<u>(32,276,130)</u>	<u>16,313,677</u>
Closing shareholders' funds	<u>257,539,420</u>	<u>289,815,550</u>

## **ABBHEY NATIONAL AMERICAN INVESTMENTS LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **11. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8 "Related Party Disclosures", not to disclose transactions with entities that are part of the Abbey National group.

#### **12. ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking is Abbey National Treasury Services plc which is registered in England and Wales. According to the register kept by the company, Abbey National Treasury Services plc has a 100% interest in the equity capital of Abbey National American Investments Limited at 31 December 1998.

The company's ultimate parent undertaking and controlling party 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 Treasury Services plc, according to the register kept by the latter company at 31 December 1998.

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