

B.K. DEVELOPMENTS LIMITED

Report and Accounts

31 December 1998



B.K. Developments Limited

DIRECTORS AND SECRETARY

Directors

J F Cormie
D G Milton

Secretary

Abbey National Secretariat Services Limited

Registered Auditors

Coopers & Lybrand
Chartered Accountants
London

Registered office

First National House
College Road
Harrow
Middlesex HA1 1FB
Telephone 0181-861 1313

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Review of business activities

The principal activity of the company is the letting of properties which are held for resale.

The directors do not anticipate any change in the current level of activity for the foreseeable future.

Directors

M J Carrick, B D Gillett and J W Lawson resigned as directors on 30 September 1998.

J F Cormie and D G Milton were appointed as directors on 17 August 1998.

Directors' interests in shares and debentures of group companies

The directors had no interest in the shares of the Company during the year. The interests of D G Milton in the shares of the ultimate parent undertaking, Abbey National plc, are disclosed in the accounts of an intermediate parent undertaking, First National Bank Plc.

The interests of J F Cormie in the shares of the ultimate holding company, Abbey National plc, are held beneficially and comprise:

Options exercisable between 1998 and 2008 to subscribe for Abbey National plc 10p Ordinary shares

1 January 1998	Granted during year	31 December 1998	Type
349	-	349	Sharesave (a)
150	150	300	AESOS (b)
<u>499</u>	<u>150</u>	<u>649</u>	

a - Options granted under the ultimate holding company's Sharesave Scheme are exercisable at either 322p, 428p, 607p or 988p per share within six months of the fifth or seventh anniversary of the contract start date.

b- All Employee Share Option Scheme (AESOS) options are exercisable at 590p or 1154p per share at any time between five and ten years after the option was granted.

Shares in respect of Executive Share Options granted in 1998 are held by the Abbey National ESOP Trust (the Trust). Whilst the directors' interests 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 31 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).

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 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.

B.K. Developments Limited

REPORT OF THE DIRECTORS

Auditors

The Board of the ultimate parent undertaking company, Abbey National plc, announced on 10 November 1998 its intention to nominate Deloitte and Touche for appointment as Auditors of the Company and its subsidiaries. Deloitte and Touche have expressed their willingness to accept this appointment and a resolution to give effect to it will be submitted to the Annual General Meeting in accordance with section 385 of the Companies Act 1985. Accordingly, Coopers & Lybrand will retire following approval of the 1998 accounts.

Statement of Directors' responsibilities

The directors are required by UK company law to prepare accounts for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The directors confirm that suitable policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the accounts 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.

By Order of the Board



Abbey National Secretariat Services Limited
Secretary

14th July, 1999

B.K. Developments Limited

REPORT OF THE AUDITORS

TO THE MEMBERS OF B.K. DEVELOPMENTS LIMITED

We have audited the financial statements on pages 5 to 8 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 3 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 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 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 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the Company's state of affairs at 31 December, 1998 and of its loss 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

27 July

,1999

B.K. Developments Limited**PROFIT AND LOSS ACCOUNT****31 December 1998**

		1998	1997
	Note	£	£
Turnover	3	-	4,800
Cost of letting		-	(4,570)
Other property costs		(1,164)	(1,074)
Loss on ordinary activities before taxation	4	<u>(1,164)</u>	<u>(844)</u>
Tax credit on loss on ordinary activities	6	-	2,868
(Loss)/profit for the year		<u>(1,164)</u>	<u>2,024</u>
Retained loss brought forward		<u>(5,351)</u>	<u>(7,375)</u>
Retained loss carried forward		<u>(6,515)</u>	<u>(5,351)</u>

For the purpose of Financial Reporting Standard No.3 all of the Company's activities are continuing.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

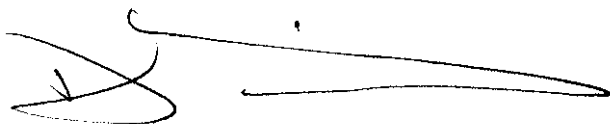
B.K. Developments Limited**BALANCE SHEET****31 December 1998**

		1998	1997
	Note	£	£
CURRENT ASSETS			
Stocks	7	200,500	185,500
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to immediate parent undertaking		197,015	180,851
NET ASSETS		<u>3,485</u>	<u>4,649</u>
CAPITAL AND RESERVES			
Called up share capital	8	10,000	10,000
Profit and loss account - deficit		<u>(6,515)</u>	<u>(5,351)</u>
Equity shareholders' funds		<u>3,485</u>	<u>4,649</u>

The accounts on pages 5 to 8 were approved by the board of directors on its behalf by:

14th July

1999 and were signed on



Director

NOTES TO THE ACCOUNTS

31 December 1998

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. The more important accounting policies adopted are as follows:

Basis of accounting

These financial statements have been prepared under the historical cost convention.

Income and expense recognition

Income and expenses are accounted for on an accruals basis.

Stock

Properties held for resale are stated at cost. In the opinion of the directors cost is not more than net realisable value.

2 ULTIMATE PARENT UNDERTAKING

The Company is a wholly-owned subsidiary of FNCB Limited, registered in England and Wales. The ultimate parent undertaking and controlling party is Abbey National plc., registered in England and Wales, which is the holding company of the only group for which group accounts are drawn up and of which B.K. Developments Limited is a member. Copies of these group accounts may be obtained from Abbey House, Baker Street, London, NW1 6XL.

3 TURNOVER

Turnover is attributable to the principal activity of the company and represents rents receivable in the United Kingdom. Rental income is accounted for on an accruals basis.

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Audit fees are borne by the immediate parent undertaking for which no charge is made.

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees.

No directors received any emoluments from the company during the year.

6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1998	1997
	£	£
Adjustment in respect of prior year	-	2,868

The tax credit represents consideration which the company received for tax losses surrendered to other group companies.

B. K. Developments Limited

NOTES TO THE ACCOUNTS

Continued

7 STOCKS

	1998	1997
	£	£
Stocks comprise properties held for resale	<u>200,500</u>	<u>185,500</u>

8 CALLED UP SHARE CAPITAL

	£	£
Authorised, allotted and fully paid-up 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

9 CASH FLOW STATEMENT

A cash flow statement has not been prepared as the Company is a member of a group which prepares a consolidated cash flow statement.