

Registered No1360153



ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Report of the Directors

The Directors submit their report together with the accounts for the year ended 31 December 2005.

1. Principal activity and review of the year

The principal activity of the Company is the provision of debt factoring services. The Directors do not expect to write any new business for the foreseeable future.

2. Dividend

The profit for the year, after taxation and before dividend, amounted to £2,441,856 (2004 - £1,704,564).

The Company paid an interim dividend of £3,054,000 for the year (2004 - £nil). The Company received an interim dividend from its subsidiaries undertaking amounting to £24,970 (2004 - £nil).

3. Directors and their interests

The Directors who served throughout the year, except as noted, were:

M G Blake
S Patel (resigned 30 December 2005)
G Hockey-Morley
M C Jackson (appointed Director 30 December 2005)

No Director of the Company has any interest in the shares of the Company, or of other Group Companies incorporated in Great Britain.

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

The directors are responsible for preparing their report and financial statements. The directors have chosen to prepare accounts for the company in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

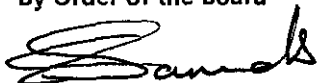
ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Report of the Directors (continued)

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. Accordingly, Deloitte & Touche LLP are therefore deemed to have been re-appointed as auditors of the Company.

By Order of the Board



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

31 January 2006

Registered Office Address
Abbey National House
2 Triton Square
Regent's Place
London NW1 3AN.

ABBHEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Independent Auditors' Report to the members of Abbey National Business Cashflow Finance Limited

We have audited the individual company financial statements (the "financial statements") of Abbey National Business Cashflow Finance Limited for the year ended 31 December 2005 which comprises the income statement, the balance sheet, the cash flow statement, and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you 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 with the company and other members of the group is not disclosed.

We also report if, in our opinion, the directors' report is not consistent with the financial statements. We 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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, in accordance with those International Financial Reporting Standards as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

31 January

Date:

2006

ABBEE NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Primary financial statements

Income Statement

For the year ended 31 December 2005

	NOTES	Year ended 2005 £	Year ended 2004 £
Revenue	2	34,808	1,637,937
Other operating income	2	2,985,381	1,173,329
Administrative expenses		(60,160)	(309,669)
Profit from operations	3	2,960,029	2,501,597
Investment income	6	512,892	-
Finance costs	7	(1,584)	(49,019)
Profit before tax		3,471,337	2,452,578
Tax	8	(1,029,481)	(748,014)
Profit for the year from discontinuing operations		2,441,856	1,704,564
Net profit attributable to equity holders of the parent	16	2,441,856	1,704,564

All the activities of the Company are classed as discontinued for the year ended 31 December 2005 and 31 December 2004.

The Company has no recognised income and expenditure other than the results for the current year and previous year as set out above and distributions to equity holders in the current year.

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Primary financial statements

Balance Sheet

At 31 December 2005

	NOTES	Year ended 2005 £	Year ended 2004 £
Non-current assets			
Interest in subsidiary undertakings	10	2,138,137	2,138,137
Deferred tax assets	12	58,440	66,939
		2,196,577	2,205,076
Current Assets			
Trade and other receivables	11	7,934,915	9,423,022
Cash and cash equivalents		74,408	471,295
		8,009,323	9,894,315
Total assets		10,205,900	12,099,393
Current liabilities			
Trade and other payables	13	2,108,339	3,245,155
Tax liabilities		1,025,412	1,169,945
		3,133,751	4,415,100
Net current assets		4,875,572	5,479,217
Non-current liabilities			
Redeemable preference shares	14	700,000	700,000
Total liabilities		3,833,751	5,115,100
Net assets		6,372,149	6,984,293
Equity			
Capital and Reserves			
Share capital	15	3,688,137	3,688,137
Retained earnings	16	2,684,012	3,296,156
Equity attributable to equity holders of the parent		6,372,149	6,984,293
Total equity		6,372,149	6,984,293

The financial statements were approved by the board of directors and authorised for issue on 31 January 2006. They were signed on its behalf by: *M. Jackson*.

Director

M. Jackson

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Primary financial statements

Cash Flow Statement

For the Year ended 31 December 2005

	NOTES	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Net cash from operating activities	17	(396,887)	(31,971)
Net increase/(decrease) in cash and cash equivalents		(396,887)	(31,971)
Cash and cash equivalents at beginning of year		471,295	80,990
Cash and cash equivalents at end of year		74,408	49,019

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

1. Accounting Policies

Adoption of International Accounting Standards

The Financial Statements have for the first time, been prepared in accordance with International Financial Reporting Standards "IFRS" adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The date of transition to IFRS for the company and the date of its opening IFRS balance sheet was 1 January 2004. On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS1 First-time Adoption of International Financial Reporting Standards IFRS1.

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

Abbey Subsidiary plc financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS". The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

Revenue recognition

"Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Income taxes, including deferred income taxes

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term investments in securities.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities, which are held at fair value through profit or loss.

Borrowings

Borrowings are recognised initially at fair value, being the proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specified date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method.

ABBNEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

If the entity purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Revenue

An analysis of the company's revenue is as follows:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Discontinuing operations		
Rendering of services	34,808	1,637,937
Other operating income - bad debt recovered	778,011	-
Other operating income - deferred consideration	2,207,370	1,173,329

3. Profit from operations

Profit from operations has been arrived at after charging (crediting):

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Staff costs (see note 4)	37,976	298,298

Auditors remuneration

Auditors' remuneration for the current year and previous financial year has been borne by the Company's immediate UK parent undertaking, Abbey National plc for which no charge has been made in the current year or prior year.

4. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31 December 2005 number	Year ended 31 December 2004 number
Staff	-	10

Their aggregate remuneration comprised:

	Year ended 2005 £	Year ended 2004 £
Wages and salaries	32,708	378,839
Social security costs	2,768	42,349
Other	2,500	(122,890)
	37,976	298,298

5. Directors Emoluments

Directors' emoluments are borne by the immediate UK parent undertaking, Abbey National plc. No emoluments were paid to the directors in the current year or previous financial year.

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

6. Investment income

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Interest on bank deposits	6,235	-
Interest on deposit with group companies	481,687	-
Dividend income from subsidiary	24,970	-
	512,892	-

7. Finance costs

	Discontinued operations		Total	
	Year ended 31 December 2005 £	Year ended 31 December 2004 £	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Interest on bank overdrafts and loans	1,584	40,258	1,584	40,258
Interest on loan from group companies	-	8,761	-	8,761
Total borrowing costs	1,584	49,019	1,584	49,019

8. Tax

	Discontinued operations		Total	
	Year ended 31 December 2005 £	Year ended 31 December 2004 £	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Current tax:				
UK corporation tax	1,025,411	694,814	1,025,411	694,814
Adjustments in respect of prior periods	(4,429)	12,289	(4,429)	12,289
	1,020,982	707,103	1,020,982	707,103
Deferred tax (note 12):				
Current year	8,499	40,959	8,499	40,959
Adjustments in respect of prior periods		(48)		(48)
Attributable to an increase in the rate of Corporation tax				
Tax charge on profit for the year	1,029,481	748,014	1,029,481	748,014

Corporation tax is calculated at 30% (2004: 30%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Profit before tax:		
Discontinued operations	3,471,337	2,452,577
Tax at the UK corporation tax rate of 30% (2004: 30%)	1,041,401	735,773
Tax effect of income that is not chargeable in determining taxable profit	(7,491)	-
Adjustments to tax charge in respect of prior periods	(4,429)	12,241
Tax expense for the year	1,029,481	748,014

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

9. Dividends

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2005 of 82.806p (2004: Nil) per share	3,054,000	-

The interim dividend has been paid via the decrease in an intercompany account with Abbey National plc.

10. Interests in subsidiary undertakings

The following is a list of the subsidiary undertakings if of the company

Name of subsidiaries	Place of incorporation ownership (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Principal activity
Abbey National Business Factors Limited	Great Britain	100	100	cost	Debt factoring

On 22 November 2005 the Company sold the entire issued share capital of Abbey National Business Factors Limited to Abbey National plc for £2,108,339, pending stamp duty adjudication. Stamp duty nil adjudication was granted on 30 January 2006 and the statutory registers were updated accordingly.

11. Trade and other receivables

	2005 £	2004 £
Trade receivables	-	5,233,822
Amounts due by group companies	7,934,915	3,885,283
Other receivable	-	303,917
	7,934,915	9,423,022

The directors consider that the carrying amount of trade receivables approximates to their fair value.

12. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the company and the movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £	Other timing difference £	Total £
At 1 January 2004	45,280	62,570	107,850
Charge to income	(11,284)	(29,627)	(40,911)
At 1 January 2005	33,996	32,943	66,939
Charge to income	(8,499)	-	(8,499)
At 31 December 2005	25,497	32,943	58,440

13. Trade and other payables

	2005 £	2004 £
Amounts due to group companies	2,108,339	2,166,369
Other payables	-	3,906
Accruals and deferred income	-	1,074,880
	2,108,339	3,245,155

The directors consider that the carrying amount of trade payables approximates to their fair value.

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

14. Redeemable preference share

	2005 £	2004 £
Authorised:		
700,000 "A" 13% Redeemable preference shares of £1.00 each	700,000	700,000
Issued and fully paid:		
700,000 "A" 13% Redeemable preference shares of £1.00 each	700,000	700,000

The directors estimate the fair value of the liability component of the redeemable preference shares at 31 December 2005 to be approximately £700,000 (2004: £700,000).

15. Share capital

	2005 £	2004 £
Authorised:		
3,688,137 ordinary shares of £1.00 each	3,688,137	3,688,137
Issued and fully paid:		
3,688,137 ordinary shares of £1.00 each	3,688,137	3,688,137

16. Retained earnings

	£
Balance at 1 January 2004	1,591,593
Net profit attributable to the parent	1,704,563
	3,296,156
Balance at 1 January 2005	3,296,156
Dividends paid (note 9)	(3,054,000)
Net profit attributable to the parent	2,441,856
Balance at 31 December 2005	2,684,012

17. Notes to the cash flow statements

	2005 £	2004 £
Profit from operations	2,441,856	1,704,563
Adjustments for:		
Taxation	1,029,481	748,014
Operating cash flows before movements in working capital	3,471,337	2,452,577
Increase in inventories		
Decrease / (increase) in receivables	(1,557,396)	15,916,613
Increase / (decrease) in payables	(2,310,828)	(18,401,161)
Cash generated by operations	(396,887)	(31,971)
Net cash flow from operating activities	(396,887)	(31,971)

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

Notes to the Financial Statements

18. Related party transactions

There were no related party transactions during the year, or existing at the balance sheet date, with company or parent company's key management personnel.

During the year, the company entered into following transaction with related parties who are not members of the company.

	Income		Amounts owed by related parties		Amounts owed to related parties	
	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
Abbey National Business Factors Limited (note 10)	24,970	-	-	-	2,108,339	2,133,309

Other than transactions disclosed in the accounts, transactions with related parties also included the settlement of group relief balances with the Company's immediate UK parent company.

19. Explanation of transition to International Financial Reporting Standard's

Abbey National plc in line with all listed entities in the European Union ("EU"), was required to adopt International Financial Reporting Standards ("IFRS") in preparing its consolidated financial statements for the year ended 31 December 2005 and has elected to adopt IFRS for all its subsidiary undertakings, unless restricted by local regulations.

Up to 31 December 2004, the Company prepared its financial statements in accordance with UK Generally Accepted Accounting Principals ("UK GAAP"). IAS 32 "Financial Instruments: Disclosure and Presentation", and IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" have been applied prospectively from 1 January 2005. All other standards are required to be applied retrospectively.

The adoption of IFRS has not resulted in any differences from the financial statements as reported under UK GAAP that require disclosure under IFRS1.

20. Parent undertaking and controlling party

The company's immediate parent company is Abbey National plc.

The company's ultimate parent undertaking and controlling party is Banco Santander Central Hispano S.A., a company incorporated in Spain. Banco Santander Central Hispano, S.A. is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Abbey National plc is the immediate parent undertaking of the smallest group of undertakings for which the group accounts are drawn up and of which the Company is a member.

Copies of all sets of group accounts, which include the results of the company, are available from Abbey Secretariat, Abbey National House, 2 Triton Square, Regents Place, London, NW1 3AN.