
ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2004**



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ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

COMPANY INFORMATION

DIRECTORS	M G Blake J R D Hayhow S Patel G Hockey-Morley
SECRETARY	Abbey National Secretariat Services Limited
COMPANY NUMBER	1360153
REGISTERED OFFICE	Abbey National House 2 Triton Square Regent's Place London NW1 3AN
AUDITORS	Deloitte & Touche LLP Chartered Accountants London

ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

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ABBNEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

DIRECTORS' REPORT For the year ended 31 December 2004

The Directors submit their annual report together with the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company is the provision of debt factoring services. The Company sold a tranche of its gross factored debts in December 2003 (note 10) and a further tranche during the year. In 2004 the Company stopped acquiring new business.

The results for the year are set out in the profit and loss account. The financial position of the Company is set out in the balance sheet.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,704,564 (2003 - £1,349,289) .

The Directors do not recommend the payment of a dividend for the year (2003 - £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served throughout the year, were:

M G Blake
J R D Hayhow
S Patel
G Hockey-Morley

None of the Directors of the Company had any interests in the shares of the Company, or of other Group Companies incorporated in Great Britain.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE PREPARATION OF ACCOUNTS

The Directors are required by United Kingdom company law to prepare financial statements 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 the profit or loss for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal control and for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

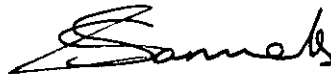
ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2004

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.

This report was approved by the Board of Directors on *15th June 2005* and signed on its behalf by



For and on behalf of
Abbey National Secretariat Services Limited
Secretary
Abbey National House
2 Triton Square
Regent's Place
London
NW1 3AN

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL BUSINESS CASHFLOW
FINANCE LIMITED**

We have audited the financial statements of Abbey National business Cashflow Finance Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 18. 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

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 1985. 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 with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

15th June 2005

ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	1, 2	1,637,937	9,895,118
Administrative expenses		(309,669)	(6,781,375)
Other operating income	3	1,173,329	187,214
OPERATING PROFIT	4	2,501,597	3,300,957
Profit on sale of fixed assets		-	4,182
Interest payable	6	(49,019)	(1,751,829)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		- 2,452,578	1,553,310
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(748,014)	(204,021)
RETAINED PROFIT FOR THE YEAR	14,15	1,704,564	1,349,289

All amounts relate to discontinued operations.

There were no recognised gains or losses for 2004 or 2003 other than those included in the profit and loss account.

The notes on pages 6 to 12 form part of these financial statements.

ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

BALANCE SHEET
As at 31 December 2004

	Note	£	2004	£	£	2003	£
FIXED ASSETS							
Investments	9			2,138,137			2,138,137
CURRENT ASSETS							
Debts factored with recourse:							
Debts (after provision for capital charges)	10	5,233,822			25,286,077		
Deferred taxation	11	66,939			107,850		
Other debtors	10	4,189,198			12,645		
Cash at bank		471,295			80,990		
				<u>9,961,254</u>		<u>25,487,562</u>	
CREDITORS: amounts falling due within one year	12	(4,415,099)			(21,645,971)		
NET CURRENT ASSETS				<u>5,546,155</u>			<u>3,841,591</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>7,684,292</u>			<u>5,979,728</u>
CAPITAL AND RESERVES							
Called up share capital	13			4,388,137			4,388,137
Profit and loss account	14			3,296,155			1,591,591
SHAREHOLDERS' FUNDS	15			<u>7,684,292</u>			<u>5,979,728</u>

Shareholders' funds include non-equity interests (see note 15).

The financial statements were approved by the Board of Directors on behalf.

15th June 2005

and signed on its


M G Blake
Director

The notes on pages 6 to 12 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom law and accounting standards and have been applied consistently throughout the year and in the preceding years.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company, exclusive of Value Added Tax and trade discounts.

1.3 Pensions

The Company participates in a group defined benefit scheme run by Abbey National plc though as it is not possible to identify the Company's share of the assets and liabilities of the scheme, it is accounted for as a defined contribution scheme. The pension charge in the profit and loss is the contributions payable during the year.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and fittings	-	12.5%	straight line
Computer equipment - peripherals	-	20%	straight line

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.7 Related Party transaction and Cash flow statements

The Company is exempt from disclosing transactions with group undertaking under FRS 8 'Related Party Disclosures' as it is wholly owned subsidiary undertaking of Abbey National plc whose consolidated accounts are publicly available.

Similarly as a wholly owned subsidiary undertaking, the Company is exempt under Financial Reporting Standard 1, Cash Flow Statements, from the requirement to prepare cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

1.8 Provision for bad and doubtful debts

Specific provisions are made for amounts included within factored debt which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not specifically identified, are known from experience to be present at the year end in respect of commercial exposures. Such provisions are offset against factored debts within the balance sheet.

1.9 Investments

Investments in subsidiary undertaking is stated at cost less provision for impairment.

2. TURNOVER

The whole of the turnover is attributable to the provision of debt factoring services.

All turnover arose within the United Kingdom.

3. OTHER OPERATING INCOME

	2004 £	2003 £
Other operating income	1,173,329	187,214

Other operating income includes deferred consideration of £1,146,486 (2003 - £nil) received in respect of the sale of factoring debtors portfolio made in December 2003.

4. OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating profit is stated after charging:

	2004 £	2003 £
Depreciation of tangible fixed assets:		
- owned by the company	-	24,347
Auditors' remuneration	-	24,859
Operating lease rentals - other operating leases	-	223,499
Charge for provision against factored debts	(124,102)	452,269

During the year, no Director received any emoluments (2003 - £nil). Recharged auditors' remuneration consists entirely of amounts paid in respect of audit work. Audit fees are paid by another Abbey National Group Company.

ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

5. STAFF COSTS

Staff costs were as follows:

	2004 £	2003 £
Wages and salaries	378,839	2,670,130
Social security costs	42,349	229,739
Other pension (releases)/charges	(122,890)	239,542
	<u>298,298</u>	<u>3,139,411</u>

The average monthly number of employees employed in the provision of debt factoring services, including Directors, during the year was as follows:

	2004 No.	2003 No.
Staff	<u>10</u>	<u>67</u>

6. INTEREST PAYABLE

	2004 £	2003 £
On bank loans and overdrafts	40,258	56,175
On loans from group undertakings	8,761	1,695,654
	<u>49,019</u>	<u>1,751,829</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax on profits of the year	694,814	462,840
Adjustments in respect of prior periods	12,289	(261,972)
Total current tax	<u>707,103</u>	<u>200,868</u>
Deferred tax		
Origination and reversal of timing differences	40,911	3,153
Total deferred tax (see note 11)	<u>40,911</u>	<u>3,153</u>
Tax on profit on ordinary activities	<u>748,014</u>	<u>204,021</u>

ABBAY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>2,452,578</u>	<u>1,553,310</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 - 30%)	735,773	465,993
Effects of:		
Provisions and short term timing differences	(29,627)	5,955
Accelerated capital allowances	(11,332)	(9,108)
Adjustments to tax charge in respect of prior periods	12,289	(261,972)
Current tax charge for year (see note above)	<u><u>707,103</u></u>	<u><u>200,868</u></u>

There were no factors that may affect future tax charges.

8. DIVIDENDS

	2004 £	2003 £
"A" 13% cumulative redeemable preference shares	<u>-</u>	<u>-</u>

The holders of the "A" 13% cumulative redeemable preference shares have formally waived their rights to dividends for the years ended 31 December 2004 and 31 December 2003.

9. FIXED ASSETS

INVESTMENTS

Abbey National business Cashflow Finance Limited purchased Abbey National business Factors Limited from the ultimate United Kingdom parent undertaking Abbey National plc for £2,138,137.

COST:

	Shares in group undertaking 2004 £	Total 2004 £
At 1 January	2,138,137	2,138,137
At 31 December	<u><u>2,138,137</u></u>	<u><u>2,138,137</u></u>

The aggregate of the share capital and reserves as at 31 December 2004 and of the profit or loss for the year ended on that date for the subsidiary undertaking is £nil. The company has not traded during the year.

Name	- Abbey National Business Factors Limited
Country of origin	- England
Identity and % of shares held	- 100% ordinary share of £1 each
Nature of business	- Debt factoring - Non Trading

ABBNEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

10. DEBTORS

	2004 £	2003 £
Due within one year		
Amounts owed by group undertakings	3,885,281	-
Prepayments and accrued income	303,917	12,645
	<u>4,189,198</u>	<u>12,645</u>
	2004 £	2003 £
Gross factored debts outstanding	5,893,826	26,384,924
Provisions	(660,004)	(1,098,847)
	<u>5,233,822</u>	<u>25,286,077</u>

During the year ended December 2004, the Company sold part of the factored debts portfolio £12,662,728 (2003- £35,281,135).

11. DEFERRED TAXATION

	2004 £	2003 £
At 1 January	107,850	111,003
Recognised during the year	(40,911)	(3,153)
	<u>66,939</u>	<u>107,850</u>
At 31 December	66,939	107,850
The deferred tax asset is made up as follows:		
	2004 £	2003 £
Accelerated capital allowances	33,996	45,280
Other timing differences	32,943	62,570
	<u>66,939</u>	<u>107,850</u>

ABBNEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004

12. CREDITORS:

Amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	-	135,285
Amounts owed to group undertakings	2,166,371	20,182,287
Amounts owed to group undertakings (group relief payable)	1,169,943	231,420
Other creditors-VAT	3,905	232,096
Accruals and deferred income	1,074,880	864,883
	<u>4,415,099</u>	<u>21,645,971</u>

13. SHARE CAPITAL

	2004 £	2003 £
Authorised, allotted, called up and fully paid:		
3,688,137 (2003 - 3,688,137) ordinary shares of £1 each	3,688,137	3,688,137
700,000 "A" cumulative redeemable preference shares of £1 each	700,000	700,000
	<u>4,388,137</u>	<u>4,388,137</u>

The holders of the non-equity 'A' redeemable preference shares have the following rights:

- preferential dividend at a rate of 13% per annum (see note 8);
- on a return of assets the surplus assets of the Company remaining after payments of its liabilities shall be applied first to repaying the amount paid on each share plus any accrued dividend arrears;
- fully paid up shares may be redeemed by the Company at par with one month's notice; and
- the shares do not confer the right to receive notice of general meetings nor to attend or vote at such meetings.

14. RESERVES

Profit and loss account	£
At 1 January 2004	1,591,591
Profit retained for the year	1,704,564
	<u>3,296,155</u>
At 31 December 2004	<u>3,296,155</u>

ABBEY NATIONAL BUSINESS CASHFLOW FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the year	1,704,564	1,349,289
Shares issued during the year	-	2,138,137
	<u>1,704,564</u>	<u>3,487,426</u>
Opening shareholders' funds	5,979,728	2,492,302
Closing shareholders' funds	<u>7,684,292</u>	<u>5,979,728</u>
Analysis of shareholders' funds		
Non-equity interests	700,000	700,000
Equity interests	6,984,292	5,279,728
	<u>7,684,292</u>	<u>5,979,728</u>

16. OPERATING LEASE COMMITMENTS

	2004 £	2003 £
The following amounts are to be paid in the next year in respect of operating leases on land and buildings expiring:		
Between two and five years	-	75,000
	<u>-</u>	<u>75,000</u>

17. RETIREMENT BENEFITS

The Company is unable to identify its share of the underlying assets and liabilities of the various pension schemes in operation throughout the Abbey National Group and has, therefore, accounted for its contributions to the pension schemes as if they were defined contribution schemes. Details of the scheme and any associated deficit or surplus appear in the accounts of Abbey National plc.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

Up to 12 November 2004, the ultimate parent undertaking and controlling party was Abbey National plc, a company incorporated in Great Britain. From this date, 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 parent undertaking of the smallest group of undertakings for which 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, Regent's Place, London, NW1 3AN.