

**ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

**Report and Financial Statements**

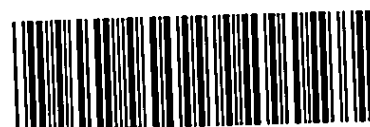
**31 December 2006**

**Registered No. 2064924**

**Chess code C 2352**

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**ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 2006**

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**ABBHEY NATIONAL GIBRALTAR (1986) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 2006**

**OFFICERS AND REGISTERED OFFICE**

**Directors**

A D Haynes  
C A Huelin

**Secretary**

Abbey National Secretariat Services Limited

**Registered office**

Abbey National House  
2 Triton Square  
Regent's Place  
London  
England NW1 3AN  
United Kingdom

# **ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

## **DIRECTORS' REPORT**

**Year ended 31 December 2006**

The Directors present their report and the audited financial statements for the year ended 31 December 2006

### **Principal activity**

The principal activity of the Company has been to make loan advances, secured on property located in Spain, and earn income therefrom. No new advances have been made since 1990.

### **Registration**

The Company is incorporated in the UK.

### **Results**

The results of the Company are shown in the income statement on page 7.

### **Future developments**

The future activities of the Company will be confined to the servicing of its existing mortgage portfolio.

### **Dividends**

The Directors do not recommend the payment of a dividend (2005 £nil).

### **Directors**

The current Directors of the Company and those who served during the year are stated on page 1. No Directors received any remuneration or emoluments in respect of their services in the current or preceding year.

The interests of the Company's Directors in the shares of the Company and / or other Group Companies are disclosed in note 10 to these financial statements.

### **Financial instruments**

The Company's risks are managed on a group level by the ultimate UK parent company, Abbey National plc.

The financial risk management objectives and policies of the Group, the policy for hedging each major type of forecasted transaction for which hedge accounting is used and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Group financial statements.

### **Third party indemnities**

During 2006, Abbey National plc applied the provisions of the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide enhanced indemnities to the Directors of the Company against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of this Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

# **ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

## **DIRECTORS' REPORT**

**Year ended 31 December 2006**

### **Annual General Meeting**

In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually

### **Auditors**

Following the transfer of their business to Deloitte & Touche LLP with effect from 1 October 2006, Deloitte & Touche resigned as auditors on 5 January 2007 and its successor, Deloitte & Touche LLP, were appointed as auditors

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in s234ZA of the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all steps that he ought to have taken as director to make himself aware of any relevant audit information (as defined in s234ZA of the Companies Act 1985) and to establish that the company's auditors are aware of that information

By order of the Board



**Abbey National Secretariat Services Limited**

**Secretary**

**9 February 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing their report and the 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 complies with the requirements of the Companies Act 1985.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

We have audited the financial statements of Abbey National Gibraltar (1986) Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of change in shareholders' equity, the cash flow statement, and the related notes 1 to 11. 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 law and International Financial Reporting Standards (IFRSs) as adopted by 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 financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, the information given in the directors' report is not consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and 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 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 IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ABBEY NATIONAL GIBRALTAR (1986) LIMITED - CONTINUED**

As explained in Note 2, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended.



**Deloitte & Touche LLP**

Chartered Accountants and registered Auditors  
St Helier, Jersey

9 February 2007



# ABBEY NATIONAL GIBRALTAR (1986) LIMITED

## INCOME STATEMENT

Year ended 31 December 2006

	Note	2006 £	2005 £
Interest income		7,520	11,866
Operating expenses		(1,200)	(2,291)
<b>Profit from operations</b>	3	<b>6,320</b>	<b>9,575</b>
Investment income	4	<b>229,444</b>	<b>219,690</b>
<b>Profit before tax</b>		<b>235,764</b>	<b>229,265</b>
Tax	5	(70,792)	(68,717)
<b>Profit for the year</b>		<b>164,972</b>	<b>160,548</b>

The accounting policies and notes on pages 11 to 14 form part of these financial statements

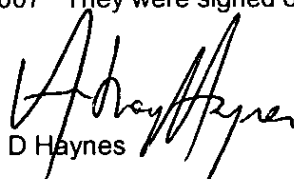
# ABBEY NATIONAL GIBRALTAR (1986) LIMITED


## BALANCE SHEET

As at 31 December 2006

	Note	2006 £	2005 £
<b>Current assets</b>			
Trade and other receivables	6	1,216	-
Loans and advances to customers	7	97,106	110,565
Cash and cash equivalents		5,679,417	5,431,453
<b>Total assets</b>		<b>5,777,739</b>	<b>5,542,018</b>
<b>Current liabilities</b>			
Trade and other payables		(3,500)	(3,543)
Tax liabilities		(139,509)	(68,717)
		<b>(143,009)</b>	<b>(72,260)</b>
<b>Net assets</b>		<b>5,634,730</b>	<b>5,469,758</b>
<b>Equity</b>			
Share capital	9	4,800,000	4,800,000
Retained earnings		834,730	669,758
<b>Equity shareholders' funds</b>		<b>5,634,730</b>	<b>5,469,758</b>

The financial statements were approved by the Board of Directors and authorised for issue on 9 February 2007. They were signed on its behalf by

  
A D Haynes  
Director

  
C A Huelin  
Director

**ABBEY NATIONAL GIBRALTAR (1986) LIMITED****STATEMENT OF CHANGES IN EQUITY****Year ended 31 December 2006**

<b>Description</b>	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
Balance as at 1 January 2005	4,800,000	509,210	5,309,210
Profit for the year	-	160,548	160,548
Balance as at 1 January 2006	4,800,000	669,758	5,469,758
Profit for the year	-	164,972	164,972
Balance as at 31 December 2006	4,800,000	834,730	5,634,730

**ABBEY NATIONAL GIBRALTAR (1986) LIMITED**

**CASH FLOW STATEMENT**

**Year ended 31 December 2006**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>Cash flows used in operating activities</b>		
Profit before tax	<b>235,764</b>	229,265
Investment income	<b>(229,444)</b>	(219,690)
Cash flow from operations before working capital changes	<b>6,320</b>	9,575
Adjusted by		
Decrease in receivables	<b>12,243</b>	83,801
(Decrease) in payables	<b>(43)</b>	(8,983)
Cash generated by operations	<b>18,520</b>	84,393
Income tax paid	<b>-</b>	(62,210)
<b>Net cash from operating activities</b>	<b>18,520</b>	22,183
<b>Cash flows from operating activities</b>		
Interest received	<b>229,444</b>	219,690
<b>Net cash from investing activities</b>	<b>229,444</b>	219,690
Net increase in cash and cash equivalents	<b>247,964</b>	241,873
Cash and cash equivalents at beginning of year	<b>5,431,453</b>	5,189,580
<b>Cash and cash equivalents at end of year</b>	<b>5,679,417</b>	5,431,453

# ABBEY NATIONAL GIBRALTAR (1986) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

### 1. Incorporation

The Company was incorporated in England and Wales on 16 October 1986

### 2. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

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.

The financial statements are presented in pounds sterling because this is the currency of the primary economic environment in which the company operates.

#### Loans and advances to customers

Loans and advances to customers are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Revenue recognition

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.

#### 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.

### 3 Profit from operations

Profit from operations has been arrived at after charging

	2006 £	2005 £
Auditors' remuneration for audit services	1,200	2,500

The Company had no employees in the current or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

4 Investment income

	2006 £	2005 £
Interest income	<u>229,444</u>	<u>219,690</u>

5. Taxation

The Company has been granted exempt company status in Gibraltar under the Companies (Taxation and Concessions) Ordinance with effect from 1 January 1998

The Company is subject to Corporation Tax at 30% (2005 30%) in the United Kingdom as follows

	2006 £	2005 £
Provision for the year	(70,729)	(68,717)
Adjustments to tax charge in respect of prior periods	<u>(63)</u>	<u>-</u>
	<u>(70,792)</u>	<u>(68,717)</u>

Factors affecting the charge for the current year are set out in the following table

	2006 £	2005 £
Profit on ordinary activities before tax	<u>235,764</u>	<u>229,265</u>
Tax on ordinary activities at standard rate of 30%	(70,729)	(68,779)
<i>Effects of</i> Permanent differences on items disallowed for tax purposes	-	62
Adjustments to tax charge in respect of prior periods	<u>(63)</u>	<u>-</u>
Total actual amount of current tax	<u>(70,792)</u>	<u>(68,717)</u>

6. Trade and other receivables

	2006 £	2005 £
Due to group company	<u>1,216</u>	<u>-</u>

7. Loans and advances to customers

Included in loans and advances to customers there are balances that are due after more than one year of £97,106 (2005 £110,565)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

8. Financial instruments

**Credit risk**

The Company's principle financial assets are bank balances and cash, trade and other receivables and loans and advances to customers

The Company's credit risk is primarily attributable to its trade receivables and loans and advances to customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk.

**Interest rate risk**

The Company receives interest income on its loans and advances to customers which carry a fixed rate of interest for the term of the loan. The fair value of the loans and advances is subject to fluctuation due to changes in interest rates in the market. However, due to the size of the portfolio, the Directors do not believe that the Company is exposed to a significant risk. The Company does not have any interest bearing liabilities.

**Liquidity risk**

The Directors do not believe that the Company is exposed to a liquidity risk, because the Company has sufficient cash to meet its short term liabilities as they fall due.

9. Share capital

	2006 £	2005 £
<b>Authorised, allotted, issued and fully paid</b>		
4,800,000 ordinary shares of £1 each	<u>4,800,000</u>	<u>4,800,000</u>

10. Related party transactions

a) Intercompany transactions and balances

The Company had the following transactions and balances existing with related parties at the balance sheet date:

	2006 £	2005 £
Interest income	229,444	219,690
Cash at bank	5,679,417	5,431,453
Accrued expenses	<u>1,216</u>	<u>-</u>

The transactions with fellow subsidiaries are at arms length and on a commercial basis.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

## 10 Related party transactions - continued

### b) Directors' interests

The Directors of the Company held the following interests in the Group Companies at the balance sheet date

	Group company	2006	2005
		£	£
		No of shares	No of shares
Anthony Haynes	Banco Santander Central Hispano, S A	7,875	743

At 31 December 2006, Anthony Haynes also had options to acquire 5,367 shares at £3 06 (2005 5,367 shares at £3 06) on 1 April 2008 under the Company SAYE scheme on condition that all contributions under the scheme are paid

## 11 Parent undertaking controlling party

The Company's immediate parent 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 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, Regent's Place, London, NW1 3AN