

**ABBHEY NATIONAL AMERICAN  
INVESTMENTS LIMITED**

**REPORT AND ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2005**

**Registered in England and Wales No. 3053574**



# ABBEEY NATIONAL AMERICAN INVESTMENTS LIMITED

## REPORT OF THE DIRECTORS

The Directors submit their annual report together with the financial statements of Abbey National American Investments Limited (the "Company") for the year ended 31 December 2005.

### 1. Principal activity and review of the year

The principal activity of the Company is to act as an investment company. The Directors foresee no change in its activities in the future.

### 2. Results and dividends

The profit for the year on ordinary activities after taxation amounted to £8,506,347 (2004: £8,021,653). The retained profit for the year of £1,256,347 (2004: loss of £3,728,347), after the dividend payment of £7,250,000 (2004: £11,750,000) was transferred to reserves.

### 3. Directors and their interests

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

D M Green	
M C Jackson	
W N Lowe	(resigned 30 December 2005)
R C Truelove	(appointed 30 December 2005)

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

### 4. Statement of Directors' responsibilities

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.

# ABBHEY NATIONAL AMERICAN INVESTMENTS 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 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

24<sup>th</sup> February

2006

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

We have audited the individual company financial statements (the "financial statements") of Abbey National American Investments Limited for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expenses, the statement of accounting policies and the related notes 1 to 14. 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 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, 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 and other members of the group is not disclosed.

We read other information contained in the directors' 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

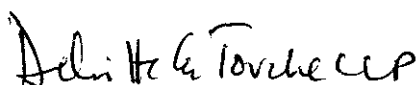
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 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

24 February 2006

# **ABBEE NATIONAL AMERICAN INVESTMENTS LIMITED**

## **Income Statement**

For the year ended 31 December 2005

	NOTES	2005 £	2004 £
<b>Continuing operations</b>			
Revenue	3	12,151,924	11,483,042
<b>Profit before tax</b>	4	12,151,924	11,483,042
Tax	5	(3,645,577)	(3,461,389)
<b>Net profit attributable to equity holders of the parent</b>		8,506,347	8,021,653

All activities of the company are classified as continuing.

## **Statement of recognised income and expense**

For the year ended 31 December 2005

	2005 £	2004 £
<b>Profit for the period</b>	8,506,347	8,021,653
<b>Total recognised income and expense for the period</b>	8,506,347	8,021,653
Attributable to:		
Equity holders of the parent	8,506,347	8,021,653

# ABBEE NATIONAL AMERICAN INVESTMENTS LIMITED

## Balance Sheet

At 31 December 2005

	NOTES	2005 £	2004 £
<b>Non-current assets</b>			
<b>Current Assets</b>			
Trade and other receivables	7	269,218,994	267,760,754
Cash and cash equivalents		72,278	72,278
<b>Total assets</b>		<b>269,291,272</b>	<b>267,833,032</b>
<b>Current liabilities</b>			
Trade and other payables	8	(3,663,282)	(3,461,389)
<b>Net current assets</b>		<b>265,627,990</b>	<b>264,371,643</b>
<b>Net assets</b>		<b>265,627,990</b>	<b>264,371,643</b>
<b>Equity</b>			
Capital and Reserves			
Share capital	9	253,005,000	253,005,000
Retained earnings	10	12,622,990	11,366,643
<b>Equity attributable to equity holders of the parent</b>		<b>265,627,990</b>	<b>264,371,643</b>
<b>Total equity</b>		<b>265,627,990</b>	<b>264,371,643</b>

The financial statements were approved by the board of directors and authorised for issue on 21 February 2006.  
They were signed on its behalf by:

Director

*M. L. Tucker*

# ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

## Cash Flow Statement

For the Year ended 31 December 2005

	NOTES	2005 £	2004 £
Net cash from operating activities	11	-	-
Investing activities			
Net cash used in investing activities		-	-
Financing activities			
Net cash (used in) financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		72,278	72,278
Cash and cash equivalents at end of year		72,278	72,278

# ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

## Notes to the Financial Statements For the year ended 31 December 2005

### 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.

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 National American Investments Limited 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

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.

#### 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

#### 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. This is a change in accounting policy due to the implementation of IFRS. Previously, under UK GAAP, dividends were recognised in the year to which they related. For a reconciliation of the effect of this change in accounting policy refer to note 13.

### 2. Financial risk factors

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and fair value interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by the central risk management function of the Abbey Group. Authority flows from the Abbey National plc Board of Directors to the Chief Executive Office and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management or oversight. Their authority is derived from the person they are intended to assist.

### 3. Revenue

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

	Year ended 2005 £	Year ended 2004 £
Continuing operations		
Interest income from group companies	12,151,924	11,483,042
Total revenue	12,151,924	11,483,042



# **ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2005**

### **4. Profit from operations**

The Directors did not receive any emoluments for their services to the Company in the current or preceding year and no apportionment of Directors' remuneration has been made by the UK parent company, Abbey National plc, (2004: £nil).

The audit fee for the current and prior year has been paid on the Company's behalf by its UK parent company, Abbey National plc, in accordance with company policy, for which no recharge has been made.

The Company had no directly employed staff during the year (2004: nil).

### **5. Tax**

	Continuing operations	
	Year ended 2005 £	Year ended 2004 £
Current tax:		
UK corporation tax	3,645,577	3,461,389
	3,645,577	3,461,389

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 2005		Year ended 2004	
	£	%	£	%
Profit before tax:	12,151,924	100	11,483,042	100
Tax at the UK corporation tax rate of 30% (2004: 30%)	3,645,577	30	3,444,913	30
Tax effect of expenses that are non-deductible in determining taxable profit	-	-	16,476	0.14
<b>Tax expense and effective tax rate for the year</b>	<b>3,645,577</b>	<b>30</b>	<b>3,461,389</b>	<b>30.14</b>

### **6. Dividends**

	Year ended 2005 £	Year ended 2004 £
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2004 of 2.9p (2003: 4.6p) per share	7,250,000	11,750,000

Upon adopting IFRS for the first time the Company changed its accounting policy in respect of dividends. Previously, under UK GAAP, dividends were recognised in the period to which they related. Under IFRS they are recognised when declared.

For details of the effect of this change in accounting policy refer to note 14.

### **7. Trade and other receivables**

	2005 £	2004 £
Amounts due by group companies	269,218,994	267,760,754
	269,218,994	267,760,754

The directors consider that the carrying amount of trade receivables approximates to their fair value. Amounts are repayable on demand. The amount due includes £253,005,000 (2004: £253,005,000) which accrues interest at 4.82% (2004: 4.86%). This represents the maximum exposure the company has to interest rate risk.

The balance does not accrue interest.

### **Credit risk**

The Company is exposed to credit risk on its financial assets held at amortised cost relating to amounts receivable from UK counterparties. Upon default these assets would be recovered from the ultimate parent entity.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset and liability in the balance sheet.

# **ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED**

## **Notes to the Financial Statements (continued)** **For the year ended 31 December 2005**

### **8. Trade and other payables**

	2005 £	2004 £
Amounts due to group companies - in respect of group relief	3,663,282	3,461,389
	3,663,282	3,461,389

The directors consider that the carrying amount of trade payables approximates to their fair value. The amounts are non interest bearing and repayable on demand.

### **9. Share capital**

	2005 £	2004 £
<b>Authorised:</b>		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000
<b>Issued and fully paid:</b>		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000

### **10. Retained earnings**

	£
Balance at 1 January 2004 (restated, refer note 14)	15,094,990
Dividends paid	(11,750,000)
Net profit attributable to the parent	8,021,653
	11,366,643
Balance at 1 January 2005	11,366,643
Dividends paid	(7,250,000)
Net profit attributable to the parent	8,506,347
Balance at 31 December 2005	12,622,990

Upon adopting IFRS for the first time the Company changed its accounting policy in respect of dividends. Previously, under UK GAAP, dividends were recognised in the period to which they related. Under IFRS they are recognised when declared.

The above retained earnings have been restated in respect of this change in policy.

For details of the effect of this change in accounting policy refer to note 14.

### **11. Notes to the cash flow statements**

	2005 £	2004 £
Profit from operations	12,151,924	11,483,042
Increase in operating receivables	(8,708,240)	(8,629,994)
Cash generated by operations	3,443,684	2,853,048
Transfers in respect of group relief	(3,443,684)	(2,853,048)
Net cash flow from operating activities	-	-

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

### **12. Contingent liabilities**

There were no contingent liabilities at 31 December 2005 (2004: none).

### **13. Related party transactions**

#### **Trading transactions**

During the year, the Company entered into the following transactions with related parties who are not members of the Company:

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £	2005 £	2004 £
Parent and group related companies	12,151,924	11,483,042	-	-	269,218,994	267,760,754	3,663,282	3,461,389

The income relates to interest.

No director or management personnel received any remuneration (2004: £nil).

# ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

## Notes to the Financial Statements (continued) For the year ended 31 December 2005

### 13. Related party transactions (continued)

#### Parent undertaking and controlling party

The Company's immediate parent company is Abbey National Treasury Services 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.

### 14. 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 7 "Financial Instruments: Disclosures" have been applied prospectively from 1 January 2005. All other standards are required to be applied retrospectively.

The changes have not affected the profit and loss account.

#### Reconciliation of shareholders' funds under UK GAAP to shareholders equity under IFRS at 1 January 2004 and 31 December 2004

	1 January 2004	31 December 2004
	£	£
<b>Shareholders equity</b>		
Shareholders equity as previously reported under UK GAAP	256,349,990	257,121,643
Dividends	11,750,000	7,250,000
<b>Total shareholders equity under IFRS</b>	<b>268,099,990</b>	<b>264,371,643</b>

The above changes result from dividends that were recognised under UK GAAP, but were not paid and therefore cannot be recognised under IFRS.

#### Reconciliation of balance sheet at 31 December 2004

31 December 2004	Notes	UK GAAP	Effect of transition to IFRS	IFRS
		£	£	£
<b>Non-current assets</b>		-	-	-
<b>Current Assets</b>				
Trade and other receivables		260,510,754	7,250,000	267,760,754
Cash and cash equivalents		72,278	-	72,278
<b>Total assets</b>		<b>260,583,032</b>	<b>7,250,000</b>	<b>267,833,032</b>
<b>Current liabilities</b>				
Trade and other payables		(3,461,389)	-	(3,461,389)
<b>Net current assets</b>		<b>257,121,643</b>	<b>7,250,000</b>	<b>264,371,643</b>
<b>Total Liabilities</b>		<b>(3,461,389)</b>	<b>-</b>	<b>(3,461,389)</b>
<b>Net Assets</b>		<b>257,121,643</b>	<b>7,250,000</b>	<b>264,371,643</b>
<b>Equity</b>				
Share capital		253,005,000	-	253,005,000
Retained earnings		4,116,643	7,250,000	11,366,643
<b>Total Equity</b>		<b>257,121,643</b>	<b>7,250,000</b>	<b>264,371,643</b>