

**ABBHEY NATIONAL AMERICAN
INVESTMENTS LIMITED**

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2006

Registered in England and Wales No. 3053574

MONDAY



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ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the accounts of Abbey National American Investments Limited (the "Company") for the year ended 31 December 2006

1 Principal activity and Enhanced Business Review

The principal activity of the Company is that of an investment company

The Company's primary source of income is interest receivable on loans and receivables made to related group entities. Details of trade receivables are included in note 7. The Company's income of £12,119,541 (2005: £12,151,924) remains consistent with previous years. Retained earnings have increased due to no dividends being declared during the financial year.

The Abbey National plc group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Abbey National plc, which include the company, are discussed in the group's Annual Report which does not form part of this Report.

The Directors do not expect any significant change in the level of business in the foreseeable future, nor any change in the Company's role within the Abbey National plc group of companies.

The purpose of this Report is to provide information to the members of the Company and as such it is only addressed to those members. The Report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this Report should be construed as a profit forecast.

2 Results and dividends

The profit for the year on ordinary activities after taxation amounted to £8,483,679 (2005: £8,506,347). The retained profit for the year of £8,483,679 (2005: £1,256,347), after the dividend payment of £nil (2005: £7,250,000) 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
R C Truelove

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

4 Financial instruments

The Company's risks are managed on a group level by the ultimate UK parent company, Abbey National plc. As explained in Note 2 to the financial statements, the financial risk management objectives and policies of the Group and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Group financial statements.

5 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.

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

REPORT OF THE DIRECTORS (continued)

5 Directors' Responsibility in respect of the Preparation of Accounts (continued)

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 the 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.

6. 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 Annual Report & Accounts. A copy of each of the indemnities is kept at the registered office address of Abbey National plc.

7 Environment

The Abbey National plc group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this Report. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

8 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.

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



22 February 2007

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 financial statements of Abbey National American Investments Limited for the year ended 31 December 2006 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Cash Flow Statement, the Balance Sheet, and the related notes 1 to 12. 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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. Our responsibilities do not extend to any further information outside the Annual Report.

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 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, in accordance with IFRSs as adopted by 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.

Separate opinion in relation to IFRSs

As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

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
London

22 February 2007

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Income Statement

For the year ended 31 December 2006

	NOTES	2006 £	2005 £
Continuing operations			
Revenue	3	12,119,541	12,151,924
Profit before tax	4	12,119,541	12,151,924
Tax	5	(3,635,862)	(3,645,577)
Net profit attributable to equity holders of the parent		8,483,679	8,506,347

All activities of the company are classified as continuing

Statement of Recognised Income and Expense

For the year ended 31 December 2006

	2006 £	2005 £
Profit for the year	8,483,679	8,506,347
Total recognised income and expense for the year	8,483,679	8,506,347
Attributable to		
Equity holders of the parent	8,483,679	8,506,347

Cash Flow Statement

For the Year ended 31 December 2006

There were no cash flows during the current and prior year

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Balance Sheet

At 31 December 2006

	NOTES	2006 £	2005 £
Non-current assets			
Current Assets			
Trade and other receivables	7	277,675,253	269,218,994
Cash and cash equivalents		72,278	72,278
Total assets		277,747,531	269,291,272
Current liabilities			
Corporation tax payable		(1,817,931)	-
Trade and other payables	8	(1,817,931)	(3,663,282)
Net current assets		274,111,669	265,627,990
Net assets		274,111,669	265,627,990
Equity			
Capital and Reserves			
Share capital	9	253,005,000	253,005,000
Retained earnings	10	21,106,669	12,622,990
Equity attributable to equity holders of the parent		274,111,669	265,627,990
Total equity		274,111,669	265,627,990

The financial statements were approved by the board of directors and authorised for issue on 22 February 2007. They were signed on its behalf by *D Green*

Director

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Notes to the Financial Statements For the year ended 31 December 2006

1 Accounting Policies

Basis of preparation

The Financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union that are effective or available for early adoption at the company's reporting date. The company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

The Company has adopted the following new or revised IFRS

- a) The amendments to IAS39 "Financial Instruments: Recognition and Measurement" and IFRS 4 "Insurance Contracts" relating to Financial Guarantee Contracts
- b) The Company has decided to early adopt IFRS 7 "Financial Instruments: Disclosure" and the related amendments to IAS 1 "Presentation of Financial Statements"

Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Financial assets

The entity classifies its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not classified as available for sale. They arise when the entity provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all of the risks and rewards of ownership.

Financial liabilities

Financial liabilities are initially recognised when the entity becomes contractually bound to transfer economic benefits in the future and are measured at amortised cost. Financial liabilities are only derecognised once the liability has been extinguished. A liability is only extinguished when either the liability is discharged by payment, or there is a legal release (by law or by the creditor).

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.

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Notes to the Financial Statements (continued) **For the year ended 31 December 2006**

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 2006 £	Year ended 2005 £
Continuing operations		
Interest income from group companies	12,119,541	12,151,924
Total revenue	12,119,541	12,151,924

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 ultimate UK parent company, Abbey National plc, (2005: £nil).

The audit fee for the current and prior year has been paid on the Company's behalf by its immediate UK parent company, Abbey National Treasury Services plc, in accordance with company policy, for which no recharge has been made. The audit fee for the current year is £15,000 (2005: £15,000).

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

5 Tax

	Continuing operations	
	Year ended 2006 £	Year ended 2005 £
Current tax		
UK corporation tax	3,635,862	3,645,577
	3,635,862	3,645,577

Corporation tax is calculated at 30% (2005: 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 2006		Year ended 2005	
	£	%	£	%
Profit before tax	12,119,541	100	12,151,924	100
Tax at the UK corporation tax rate of 30% (2005: 30%)	3,635,862	30	3,645,577	30
Tax expense and effective tax rate for the year	3,635,862	30	3,645,577	30

6 Dividends

	Year ended 2006 £	Year ended 2005 £
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2006 of nil (2005: 2.9p) per share	-	7,250,000

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Notes to the Financial Statements (continued) **For the year ended 31 December 2006**

7 Trade and other receivables

	2006 £	2005 £
Amounts due by group companies	277,675,253	269,218,994
	277,675,253	269,218,994

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 (2005 £253,005,000) which accrues interest at 4.77% (2005 4.82%). This represents the maximum exposure the company has to interest rate risk. The remaining amount receivable of £24,670,253 (2005 £16,213,994) does not accrue interest.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, and the interest accrued less any security held. It occurs on its financial assets held at amortised cost relating to amounts receivable from its immediate parent. These amounts have been guaranteed by the ultimate UK parent entity an AA- rated counterparty.

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

8 Trade and other payables

	2006 £	2005 £
Amounts due to group companies - in respect of group payment arrangements	1,817,931	-
Amounts due to group companies - in respect of group relief	-	3,663,282
	1,817,931	3,663,282

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

	2006 £	2005 £
Authorised		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000
Issued and fully paid		
253,005,000 ordinary shares of £1 each	253,005,000	253,005,000

10 Retained earnings

	£
Balance at 1 January 2005	11,366,643
Dividends paid	(7,250,000)
Net profit attributable to the parent	8,506,347
	12,622,990
Balance at 1 January 2006	12,622,990
Dividends paid	-
Net profit attributable to the parent	8,483,679
Balance at 31 December 2006	21,106,669

11 Contingent liabilities

There were no contingent liabilities at 31 December 2006 (2005 none).

ABBEY NATIONAL AMERICAN INVESTMENTS LIMITED

Notes to the Financial Statements (continued) **For the year ended 31 December 2006**

12 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	
	2006	2005	2006	2005	2006	2005	2006	2005
	£	£	£	£	£	£	£	£
Parent and group related companies	12,119,541	12,151,924	-	-	277,675,253	269,218,994	1,817,931	3,663,282

The income relates to interest

No director or management personnel received any remuneration (2005 £nil)

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

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 Treasury Services 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