COMPANY REGISTRATION NUMBER 3657463

PORTERBROOK MAINTENANCE LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2007

CONTENTS

Directors' Report

The directors submit their report together with the financial statements and auditors' report for the year ended 31 December 2007

1. Principal activity and enhanced business review

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

Principal activity
The principal activity of the company during the year was the provision of contracted heavy maintenance services within the United Kingdom, primarily to fellow group undertakings During the year the company has successfully managed the contracts undertaken The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year

Principal risks and uncertainties
A review of the company's risks is included in note 2 to the financial statements

Business review
During the year the company successfully managed its heavy maintenance contracts, as shown in the income statement The directors consider the state of the company's affairs to be satisfactory, as shown in the balance sheet The company made a small operating loss in the year of £0 1m (2006 operating profit £0 1m), but the investment income of £7 3m (2006 £4 7m) turned this into a profit before tax of £7 2m (2006 £4 8m) The directors do not expect any significant change in the level of the business in the foreseeable future

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

2 Dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

The directors approved non-cumulative dividends on its irredeemable preference shares as follows

Amount £	Date Approved	Date Paid
55 36	13 December 2006	2 January 2007
54 36	19 March 2007	2 April 2007
54 76	26 June 2007	2 July 2007
55 36	17 September 2007	1 October 2007
55 36	21 December 2007	31 December 2007

The directors have not recommended a dividend on the equity shares of the company (2006 £nil)

3 Directors

The directors who served throughout the year, except as noted, were

Mr P A Francis	
Mr M C Jackson	
Mr K R Howard	
Mr W J Day	
Mr A C White	(appointed 28 June 2007)
Mr T P Gilbert	(appointed 1 May 2007)
Mr S J McGurk	(appointed 1 May 2007)

Non-Executive Director

Mr C S Heaps	(resigned 19 February 2007)

4 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 of and policies of the company, the policy for hedging each major type of forecasted transaction, and the exposure of the company to credit risk, market risk and liquidity risk are outlined in note 2 to the financial statements

5 Directors' responsibility in respect of the preparation of accounts

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985

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 IFRSs However, 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 IFRSs are 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
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 and Accounts A copy of each of the indemnities is kept at the registered office address of Abbey National plc

7 Payment policy

It is the company's policy to ensure payments are made in accordance with the terms and conditions agreed, except where the supplier fails to comply with those terms and conditions

The company's practice on payment of creditors has been quantified under the terms of the Companies Act 1985 (Directors' Report) (Statement Payment Practice) Regulations 1997 Supplier invoices, which are included in trade creditors at 31 December 2007, were equivalent to 32 days' purchases, based on the average daily amount invoiced by suppliers during the year (2006 32 days)

8 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

9 Auditors

In the case of each of the persons who were 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 Sections 485 and 487 of the Companies Act 2006, 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

21 February 2008

Abbey National House
2, Triton Square
Regents Place
London
NW1 3AN

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PORTERBROOK MAINTENANCE LIMITED

We have audited the financial statements of Porterbrook Maintenance Limited for the year ended 31 December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19 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 other information contained in the Annual Report, as described in the contents section, and consider whether it is consistent with the audited financial statements We 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 2007 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 2007 and of its profit for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
21 February 2008

Income Statement
For the year ended 31 December 2007

	NOTES	Year ended 2007 £000	Year ended 2006 £000
Revenue	4	72,007	69,317
Cost of sales		(71,844)	(68,944)
Gross profit		163	373
Administrative expenses		(310)	(301)
(Loss) profit from operations	5	(147)	72
Investment income	8	7,353	4,769
Profit before tax		7,206	4,841
Tax	9	(2,165)	(1,455)
Net profit attributable to equity holders of the company	15	5,041	3,386

All of the activities of the company are classed as continuing in the current and prior year

Statement of recognised income and expense
For the year ended 31 December 2007

	Year ended 2007 £000	Year ended 2006 £000
Net income recognised directly in equity	-	-
Profit for the year	5,041	3,386
Total recognised income and expense for the year	5,041	3,386
Attributable to		
Equity holders of the company	5,041	3,386

Balance Sheet
At 31 December 2007

	NOTES	2007 £000	2006 £000
Current assets			
Trade and other receivables	10	127,445	119,860
Cash and cash equivalents		-	1,479
Total assets		127,445	121,339
Current liabilities			
Trade and other payables	12	9,047	8,354
Current tax liabilities		1,100	728
		10,147	9,082
Net current assets		117,298	112,257
Non-current liabilities			
Preference shares	11	4	4
Total liabilities		10,151	9,086
Net assets		117,294	112,253
Equity			
Share capital	13	50	50
Other reserves	14	43,926	43,926
Retained earnings	15	73,318	68,277
Equity attributable to equity holders of the company		117,294	112,253
Total equity		117,294	112,253

The financial statements were approved by the board of directors and authorised for issue on 21 February 2008 They were signed on its behalf by W. Day

Director

Cash Flow Statement
For the year ended 31 December 2007

	NOTE	Year ended 2007 £000	Year ended 2006 £000
Net cash outflow from operating activities	16	(8,832)	(4,959)
Investing activities			
Interest received		7,353	4,769
Net cash from investing activities		7,353	4,769
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1,479)	(190)
Cash and cash equivalents at beginning of year		1,479	1,669
Cash and cash equivalents at end of year		-	1,479

1 Significant accounting policies

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 principal accounting policies are set out below

In 2007, the company adopted the following revised IFRS
- The amendments to IAS 1 "Capital Management" which requires that certain disclosures are made regarding the entity's objectives, policies and processes for managing capital The company's capital management disclosures may be found in note 3 to the financial statements

Foreign currency translation
Items included in the financial statements of the entity are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company ("the measurement currency") The financial statements are presented in Pounds Sterling, which is the measurement currency of the immediate parent

Foreign currency transactions are translated into the measurement currency at the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

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

Operating profit
Operating profit is stated after charging administrative costs but before investment income and finance costs

Trade and other receivables
Trade receivables 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 the income statement 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

Amounts due to and from group undertakings are recognised initially at fair value, being the proceeds (fair value of consideration received) net of transaction costs incurred They 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

Interest 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

Trade and other payables
Financial liabilities are initially recognised at fair value and subsequently at amortised cost

Investment income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable

Pensions and other post retirement benefits
The company participates in three pension schemes

Abbey National Group Defined Benefits scheme
The Company participates in the Abbey group defined benefit pension schemes in operation There is no contractual agreement of stated policy for charging the net defined benefit cost The contribution to be paid by the Company is calculated as the contributions made by Abbey to the schemes in respect of the Company's employees

Abbey National Staff Stakeholder scheme
The company participates in an Abbey National Staff Stakeholder scheme The amount charged to the profit and loss account is the contributions payable in the year

Railways Pension Scheme
This is a multi employer defined benefit scheme The company is part of the Porterbrook section of the Scheme The company accounts for this scheme as if it were a defined contribution scheme as it is not possible to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis The amounts charged to the profit and loss account in respect of this scheme are the contributions payable in the year

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

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
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 Intercompany balances are not treated as cash equivalents, and are shown as movements in payables and receivables

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

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

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

2 Risk

Financial risk management
The company's risk management focuses on the major areas of credit risk, market risk and liquidity risk Risk management is carried out by the central risk management function of the Abbey group Abbey's Risk Framework ensures that risk is managed and controlled on behalf of shareholders, customers, depositors, employees and the Abbey Group's regulators Effective and efficient risk governance and oversight provide management with assurance that the Abbey Group's business activities will not be adversely impacted by risks that could have been reasonably foreseen This in turn reduces the uncertainty of achieving the Abbey Group's strategic objectives Authority flows from the Abbey National plc Board to the Chief Executive Officer and from him to his direct reports Formal standing committees are maintained for effective management of oversight

The Abbey Group has three tiers of risk governance

The first is provided by the Abbey Board which approves Abbey's Risk Appetite for each of the risks below, in consultation with Santander as appropriate, and approves the strategy for managing risk and is responsible for the Abbey Group's system of internal control Within this tier, there is a process for transaction review and approval within certain thresholds, discharged by the Risk Approval Committee Transactions reviewed which exceed the threshold limits set are subject to prior review by Santander Risk before final approval by the Risk Approval Committee

The second comprises the Abbey Board and is supported by the Risk Division The role of the Chief Risk Officers and Risk Division include development of risk measurement methodologies, risk approval, risk monitoring, risk reporting and escalation of risk issues in line with the relevant risk policies for all risks in the Abbey Group The Abbey Group's central risk function provides services to the company, monitors and manages the financial risks relating to the operations of the company through internal risk reports which ensure compliance with Group policies and limits, including risk policies, limits and parameters, an approval process relating to transactions that exceed local limits and the systematic review of exposures to large clients, sectors, geographical areas and different risk types

The third tier comprises Risk Assurance, who provide independent objective assurance on the effectiveness of the management and control of risk across all of the Abbey Group This is provided through the Abbey Non-Executive Directors, Internal Audit function and the Audit and Risk Committee

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the company failing to recover debts due

Credit risk occurs in relation to outstanding sales ledger balances Credit risk in this area is managed through regular contact with customers, and monitoring of overdue balances

Credit risk also occurs in relation to intercompany loan receivables The company manages this risk by reviewing the balance sheet position of all group counterparties on a monthly basis

Maximum exposure to credit risk without taking into account collateral or credit enhancements is £127,445,000 (2006 £119,860,000) This is equivalent to the outstanding intercompany debtors and sales ledger balances at 31 December 2007

Financial assets past due but not impaired

	31 December 2007 £000	31 December 2006 £000
Up to 6 months in arrears	-	70
6 to 12 months in arrears	-	-
Over 12 months in arrears	-	-

There are no impaired financial assets

The company holds no collateral or other credit enhancements to mitigate credit risk

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost

Maturities of financial liabilities

At 31 December 2007	On Demand £000	Up to 3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Trade and other payables	9,047	-	-	-	-	9,047
Preference shares	-	-	-	-	4	4
Total financial liabilities	9,047	-	-	-	4	9,051

At 31 December 2006	On Demand £000	Up to 3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Trade and other payables	8,354	-	-	-	-	8,354
Preference shares	-	-	-	-	4	4
Total financial liabilities	8,354	-	-	-	4	8,358

Market risk

Market risk is the potential for increase in costs or decrease in the value of net assets caused by movements in the levels and prices of financial instruments The majority of market risk arises as a result of interest rates and foreign exchange rates

The company has no material exposure to foreign exchange rate risk, as it has no significant transactions with overseas customers or suppliers

The company is exposed to interest rate risk on its intercompany borrowings, on which interest is charged at floating LIBOR rates This interest rate risk is managed at Porterbrook group level through the use of derivative financial instruments, on which interest is paid at fixed rates and received at floating rates The group reviews its exposure to interest rate risk at Board level on a quarterly basis, or more frequently if there are material changes to contracted forecast cash flows If interest rate exposure is above trigger levels, further cover is sought through new derivative contracts As such the group is not materially exposed to changes in interest rates, although net exposures will arise in individual companies

A 100 basis point increase in interest rates would result in an increase in operating profit of £1,226,000 (2006 £1,170,000) and an increase in net assets of £858,000 (2006 £819,000) A 100 basis point decrease in interest rates would result in a decrease in operating profit of £1,226,000 (2006 £1,170,000) and a decrease in net assets of £858,000 (2006 £819,000)

3 Capital management and resources

The company's ultimate UK parent, Abbey National plc ("Abbey"), adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Abbey group The company has no non-centralised process for managing its own capital Disclosures relating to the Abbey group's capital management can be found in the Abbey Annual Report and Accounts

Capital held by the company and managed centrally as part of the Abbey group, comprises share capital and reserves which can be found in the Balance Sheet on page 6

4 Revenue

An analysis of the company's revenue is as follows

	Year ended 2007 £000	Year ended 2006 £000
Rendering of maintenance services	72,007	69,317

5 (Loss) profit from operations

(Loss) profit from operations has been arrived at after charging

	Year ended 2007 £000	Year ended 2006 £000
Staff costs (see note 6)	3,159	2,904
Auditors' remuneration for audit services (see below)	-	-

Fees payable to the company's auditors for the audit of the company's annual accounts for the current year are £15,000 (2006 £15,000) and have been borne by the company's ultimate UK parent undertaking Abbey National plc, for which no recharge has been made in the current or prior year Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the company are not required to be disclosed because the Abbey National plc consolidated financial statements are required to disclose such fees on a consolidated basis

6 Staff costs

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

	Year ended 2007 No	Year ended 2006 No
Maintenance management staff	55	57

Their aggregate remuneration comprised

	Year ended 2007 £000	Year ended 2006 £000
Wages and salaries	2,615	2,356
Social security costs	229	265
Other pension costs (see note 17)	315	283
	3,159	2,904

7 Directors emoluments

The company paid no directors emoluments during the year (2006 £nil)

The total emoluments exclude remuneration received by directors in respect of their primary duties as directors of Abbey National Treasury Services plc and Porterbrook Leasing Company Limited

8 Investment income

	Year ended 2007 £000	Year ended 2006 £000
Interest on bank deposits	1	1
Interest receivable from group undertakings	7,352	4,768
	7,353	4,769

9 Tax

	Year ended 2007 £000	Year ended 2006 £000
Current tax		
UK corporation tax	2,165	1,455
	2,165	1,455

Corporation tax is calculated at 30% (2006 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 2007 £000	Year ended 2006 £000
Profit before taxation	7,206	4,841
Tax at the UK corporation tax rate of 30% (2006 30%)	2,162	1,452
Tax effect of expenses that are non-deductible in determining taxable profit	3	3
Tax expense for the year	2,165	1,455

10 Trade and other receivables

	2007 £000	2006 £000
Trade receivables	-	24
Amounts due from group companies	127,445	116,311
Other receivables	-	3,525
	127,445	119,860

11 Preference shares

	2007 £000	2006 £000
Preference shares	4	4
	4	4
These borrowings are repayable as follows		
On demand or within one year	-	-
In the second year	-	-
In the third to fifth years inclusive	-	-
After five years	4	4
	4	4
Less Amount due for settlement within 12 months (shown under current liabilities)	-	-
Amount due for settlement after 12 months	4	4

Preference shares are denominated in Pounds Sterling The weighted average interest rates paid were as follows

	Year ended 2007 %	Year ended 2006 %
Preference shares	5 0	5 0

The directors estimate the fair value of the company's preference shares as follows

	2007 £000	2006 £000
Preference shares	4	4

Preference shares

On 14 October 2005 439,300 irredeemable preference shares were issued at a nominal value of £0 01 each and a share premium of £99 99 each Under the terms of the preference shares, the holder is entitled to special dividends and to a 5% annualised non-cumulative dividend which accrues on a daily basis Non-cumulative dividends of £220 have been paid in the year

On winding up, the preference shareholders have a preferential right to paid up capital together with any dividend payable and accrued up to and including the date of winding up Preference shareholders are entitled to attend and vote at a General Meeting of the company where a resolution to abrogate or vary any of the rights and privileges attaching to the preference shares is proposed

The directors estimate the fair value of the liability component of the preference shares at 31 December 2007 to equates to their book value shown above This fair value has been estimated by discounting the future cash flows at the market rate

12 Trade and other payables

	2007 £000	2006 £000
Trade payables	8,470	7,042
Amounts due to group companies	218	160
Accruals	359	1,152
	9,047	8,354

The directors consider that the carrying amounts of payables approximate to their fair value

13 Share capital

	2007 £000	2006 £000
Authorised		
100,000 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50

14 Other reserves

	Other Non-Distributable Reserve £000
Balance at 31 December 2006 and 31 December 2007	43,926

The Other Non-Distributable Reserve relates to a transfer from retained earnings in respect of Special Dividends paid on the irredeemable preference shares in 2005

15 Retained earnings

	£000
Balance at 1 January 2006	64,891
Dividends paid	-
Net profit attributable to the company	3,386
Balance at 31 December 2006	68,277
Balance at 1 January 2007	68,277
Dividends paid	-
Net profit attributable to the company	5,041
Balance at 31 December 2007	73,318

16 Note to the cash flow statement

	Year ended 2007 £000	Year ended 2006 £000
(Loss) profit from operations	(147)	72
Operating cash flows before movements in working capital	(147)	72
Increase in receivables	(7,585)	(822)
Increase (decrease) in payables	693	(3,482)
Cash utilised by operations	(7,039)	(4,232)
Income tax paid	(1,793)	(727)
Net cash flow from operating activities	(8,832)	(4,959)

17 Retirement benefit schemes

The company participates in three schemes

(i) Abbey National Group Defined Benefit Scheme

Details of the scheme and any associated deficit or surplus appear in the accounts of Abbey National plc

(ii) Abbey National Staff Stakeholder Scheme

The amount charged to the profit and loss account is the contributions payable in the year

(iii) Railways Pension Scheme

The company is part of the Porterbrook section within the main Railways Pension Scheme The scheme, administered by Railway Pension Management & Investment, provides defined benefits to members based on final pensionable salaries In accordance with IAS 19 'Employee Benefits', the scheme is classified as a defined benefit plan that shares risks between entities under common control The sponsoring employer of the scheme is the immediate parent company, Porterbrook Leasing Company Limited As there is no contractual agreement for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities, the defined benefit cost is recognised in the accounts of the sponsoring employer of the scheme In accordance with IAS 19, Porterbrook Maintenance Limited recognises a cost in 2007 of £309,000 (2006 £273,000) equal to the contribution payable for the period

An actuarial review of the Railway Pension Scheme was carried out by independent qualified actuaries, Watson Wyatt LLP, as at 31 December 2004, using the projected unit method The main assumptions used were that the rate of investment return net of price inflation on future contributions would be 4 0 per cent per annum, the rate of investment return net of price inflation on existing contributions would be 4 0 per cent per annum for non-pensioners and 2 0 per cent per annum for pensioners, inflation and the rate of increase of pensions in payment would be 2 8 per cent per annum and that future pensionable pay awards would exceed price inflation by 1 5 per cent per annum The assets in the Porterbrook section had a market value of £11 787m at 31 December 2004

After taking into account the expected allocation of assets to the various sections of the Railways Pension Scheme, the actuarial value of the assets attributable to the Porterbrook section, based on the above review, was estimated to be less than the projected accrued liabilities by approximately 10% at 31 December 2004, before allowing for agreed future contribution increases

The ongoing regular service cost of the scheme to be met by both the employees and the employer was estimated by the actuary at 22 5 per cent of scheme pay, defined as pensionable pay less 150 per cent of the basic state pension The scheme is currently receiving contributions from employees of 11 3 per cent of scheme pay and the company's contribution is 23 26 per cent

The members of the scheme and the company have agreed that the members will contribute 11 3 per cent of their section pay until 30 June 2008, 10 55 per cent of their section pay between 1 July 2008 and 30 June 2015, and 9 per cent of their section pay from 1 July 2015 The company will contribute 18 56 per cent of section pay until 30 June 2006, 23 26 per cent of section pay between 1 July 2006 and 30 June 2008, 16 66 per cent of section pay between 1 July 2008 and 30 June 2015 and 13 5 per cent of section pay from 1 July 2015

18 Related party transactions

The related party disclosures in this note apply to related parties, which comprise the following entities and individuals

- Parent company
- Subsidiaries and fellow subsidiaries
- Parties that have an interest in the company that gives them a significant influence
- Parties that have joint control over the entity
- Associates
- Joint ventures
- The parent company's key management personnel
- Close family members of the above

Trading transactions
During the year, the company entered into the following transactions with related parties

	Income		Expenditure		Amounts owed by related parties		Amounts owed to related parties	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Parent company	79,359	74,085	-	-	127,445	116,311	-	-
Subsidiaries and fellow subsidiaries	-	-	-	-	-	-	175	167
Parent or company key management personnel	-	-	-	-	-	-	-	-
Other related parties	-	51	-	-	-	-	4	4

Transactions with the parent company and fellow subsidiaries disclosed above relate to recharges of specific items of expenditure, along with a management fee, and interest on outstanding intercompany balances A trading account is maintained between the companies

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

Remuneration of directors and key management personnel
No remuneration was paid to any director or member of key management personnel by the company during the year (2006 £nil) The total emoluments exclude remuneration received in respect of primary duties as director or member of key management personnel of Abbey National Treasury Services plc and Porterbrook Leasing Company Limited

19 Parent undertaking and controlling party

The company's immediate parent company is Porterbrook Leasing Company Limited

The company's ultimate parent undertaking and controlling party is Banco Santander S A , a company incorporated in Spain Banco Santander 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